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Daily Report

Annex

East Asia

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International Affairs

Philippine Minister Urges End to Spratly Dispute

OW1407054492 Tokyo ASAHI SHIMBUN in Japanese 12 Jul 92 Morning Edition p 5—FOR OFFICIAL USE ONLY

[By Takushi Ono]

[Text] Manila, 11 Jul—The Spratly Islands (Chinese name: Nansha Islands) are a source of conflict among six neighboring countries, which have been claiming regional and territorial rights over the islands. In this connection, Philippines' Foreign Minister Manglapus explained to an ASAHI SHIMBUN reporter on 11 July that he would submit a proposal at the 25th foreign ministerial meeting of the Association of Southeast Asian Nations (ASEAN), calling for a "peaceful settlement" of the issue. The meeting is scheduled to be held late this month in Manila.

The same foreign minister, who will act as chairman at the ASEAN foreign ministerial meeting, expressed his concerns about the tense mood that has been created in the wake of Vietnam's protest against China's recent placement of a territorial mark on a reef which is part of the Spratly Islands. At the same time, he indicated his view, saying that "it is possible to settle the issue peacefully through discussions." Moreover, he also said that he would study the possibility of upgrading unofficial meetings (between China, Vietnam, Taiwan, the Philippines, Malaysia, and Brunei), which all claim territorial rights, to official meetings of minister-level officials. These meetings have been coordinated by Indonesia, which is not involved in the dispute.

China will attend the ASEAN foreign ministerial meeting, scheduled to start on 21 July, as a guest. Vietnam, together with Laos, will also attend the meeting to sign the Southeast Asian Friendship and Cooperation Accord, which is the step before gaining ASEAN membership.

Japan

CSCE Role in New World Order Examined

OW1407081592 Tokyo ASAHI SHIMBUN in Japanese 12 Jul 92 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Editorial: "CSCE, a Modern Agora"]

[Text] The summit talks of the Conference on Security and Cooperation in Europe (CSCE) in Helsinki described the grim reality as follows: "Now is not only an era of hope, but an era of instability. Economic difficulties, social tensions, belligerent nationalism, racial prejudice, and ethnic conflicts are threatening the stability of this region." The CSCE adopted a new declaration entitled "Challenge of Change."

The CSCE, which was founded in the early 1970's with the primary objective of keeping the East-West cold war in a status quo, has come, after a passage of about 20 years, to function as a European version of the United Nations where wide-ranging issues are discussed. The CSCE, that now has 52 member nations, has grown into an international organization aimed at promoting democracy and the free market economy.

There was a plaza called the agora in downtown Athens in ancient Greece where the people would assemble to discuss how to foster democracy. The CSCE is just like a modern agora. At meetings of the CSCE, not only the United States, Britain, France, and Germany, but such small nations as San Marino and Lichtenstein can assert their rights. For this reason, the CSCE should be highly rated for its contribution to democratizing international politics.

Acting on the new declaration adopted at the latest CSCE summit talks, the Western European Union (WEU) and the North Atlantic Treaty Organization (NATO) decided to send ships to police sea areas with the aim of keeping in place the economic sanctions imposed by the United States against what was Yugoslavia.

The economic sanctions against former Yugoslavia are not likely to bring an end to the deep-rooted ethnic conflicts in the region. In Europe there are the CSCE, NATO, the WEU, and the European Community (EC), and these regional organizations have built an intersupplementary relationship. In the course of grouping for the future in European diplomacy, it is necessary to pay attention to this relationship.

There are differences among France, Germany, Britain, and the United States over the extent of U.S. involvement in the security of the European region. The WEU decided to send ships without making prior consultations with the United States. The WEU and NATO appear to have reached an agreement that NATO takes on the role of policing sea areas. In this way, many organizations in Europe can resolve their differences and compromise with each other under separate frameworks.

The CSCE is said to have decided in principle to send a military monitoring group to Nagorno-Karabakh, where bloody ethnic conflict still continues. The CSCE, which aims for "managed change," is trying to open the way for its participation in peacekeeping forces. The forces of NATO, which have lost the Warsaw Treaty Organization as their foe, may turn into European peacekeeping forces.

It is premature for the CSCE to commit itself to ending the ethnic conflicts that have been occurring regularly in the former communist nations. It is dangerous for us to have overly high expectations of the CSCE, but we can recognize the climate of a new era.

The CSCE is run in such a way that even military actions are decided after they have been discussed at the "agora." If the discussions are held in a democratic manner, this would dilute the urgency of military action and increase the urgency of morality.

Japan has been given the status of "associate member" and the status will allow Japan to attend summit talks and high working-level talks of the CSCE in the future. The CSCE has made Japan an associate member out of its high expectations about Japan's economic power.

Japan is being asked to participate in building a new post-cold war global order as a nation sharing the "common values" of freedom, citizens' rights, democracy, and law-governing. For Japan's foreign policy, Japan's participation in building the new global order would be a "new challenge for change."

Former Ambassador Matsunaga on CSCE Session

OW1307122492 Tokyo ASAHI SHIMBUN in Japanese 11 Jul 92 Evening Edition p 2—FOR OFFICIAL USE ONLY

[Interview with Nobuo Matsunaga, former ambassador to the United States who attended the Helsinki summit talks of the Conference of Security and Cooperation in Europe (CSCE) from 9 to 10 July as representative of the Japanese Government, by Yasunori Fuke in Helsinki on 10 July]

[Text] [ASAHI SHIMBUN] You attended the talks at the special invitation of the Government of Finland, which sponsored the summit. You were not able to make official remarks, but what were your impressions of the talks?

[Matsunaga] I met President Bush of the United States, President Mitterrand of France, Chancellor Kohl of Germany, President Yeltsin of Russia, and President Koivisto of Finland either before or after the talks, and I exchanged views with them on various issues. I chatted with President Yeltsin on two occasions, though just while standing. On the second occasion, we were just leaving the conference site when the talks ended. However, the president stood there waving to me till my car left. I felt that President Yeltsin must be a warm person.

[ASAHI SHIMBUN] The CSCE is a framework set up for consultations on security in Europe. Is there any significance for Japan in its participation?

[Matsunaga] As a result of the breakdown of the cold war structure, I think disarament and arms control will be further promoted in Europe. However, it should not be limited to Europe alone. And we should not make light of its impact and influence on the outside world. To put it briefly, it will be useless if disarmament is promoted in Europe and then the military potential thus saved is transferred to Asia.

The issue of security in Asia has now become utterly inseparable from the issue of security in Europe.

Another point is the fact that the trend of integration has just started in Europe. A big and strong Europe will have to play a greater role in the future world, and we must take this point into consideration.

[ASAHI SHIMBUN] Japan will now be able to attend and state its views at any future summit talks, foreign ministerial conferences, and working-level committee sessions. In giving Japan such a position, which can be said to be exceptional, they must have taken Japan's wealth into consideration. What do you think of this point?

[Matsunaga] Many reporters have expressed such an opinion. However, the CSCE is not an international organ. It is a conference with its basic objective lying in exchanges of opinion and information. Based on such objectives, the CSCE will not want Japan to share its financial burden. What it expects from Japan is Japan's views or policies on the situation in Asia, such as the Cambodian issue.

[ASAHI SHIMBUN] Do you think that it would be better for Japan to become an official member?

[Matsunaga] This would lead to some problems. Although it has relations with Asia, a line of demarcation must be drawn somewhere because it concerns eventually the security issue in Europe. And it would be better for Japan to state its views but not to join in any voting. In this connection, no matter what decisions are made, no restrictions will be imposed on Japan.

[ASAHI SHIMBUN] Do you think it would be desirable for the prime minister to attend the talks from now on?

[Matsunaga] When the lineup of those who participated in the recent meeting is taken into consideration, it would not seem unusual for the prime minister to make an appearance at the talks.

Toyota To Boost Purchase of Chrysler Auto Parts

OW1407051192 Tokyo NIHON KEIZAI SHIMBUN in Japanese 12 Jul 92 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] Toyota Motor Corporation and Chrysler Corporation, a major U.S. automaker, have agreed to cooperate with each other in boosting Japan's purchase of U.S.-made auto parts. As a first measure to boost Japan's purchases, Toyota will purchase Chrysler-made gasoline vapor absorbers to be used for building about 400,000 cars by the Japanese automaker in the United States beginning in late 1993. The Japanese automaker plans to import the absorbers to Japan. Toyota Motor Corporation has purchased auto parts from General Motors Corporation with which it has maintained a business tie-up for the production of vehicles in the United States, but it is the first time that the Japanese automaker has purchased Chrysler-made auto parts. At the Japan-U.S. summit talks held this January, the U.S. side demanded the opening of the Japanese auto market to U.S.-made auto parts. In response to the U.S. side's demands at the summit talks, the Japanese automaker has decided to purchase auto parts made by Chrysler Corporation, an anti-Japan, hardline automaker in the United States. The purchase of Chrysler-made auto parts by Toyota will reduce its purchase of auto parts made by its subsidiaries and lead the Japanese automaker to review its conventional auto parts dealing relationships.

The auto parts Toyota will purchase have been developed by Acquister (based in Michigan), an autopart manufacturing subsidiary of Chrysler Motor Corporation. The part is a device that uses active coal to absorb gasoline vapor inside the gas tank and turns the gasoline vapor into liquefied gasoline. The part is attached to the gas tank. Toyota Motor Corporation, which is now making a technical assessment of the auto part, will make a formal decision on the adoption of the auto part in July, at the earliest.

The Chrysler-made auto parts have been used by Toyota Motor Manufacturing (TMM; based in Kentucky) to build the passenger car Camry in the United States. TMM built 188,000 units of the Camry in 1991 and plans to manufacture 400,000 units in 1994. Toyota Motor Corporation produces 185,00 units of the Camry in Japan a year. Japanese automakers will import the gasoline vapor absorbers from 1994 to use them for manufacturing cars in Japan. The gasoline vapor absorbers are expected to be used for building 500,000 units of cars both in Japan and the United States.

Toyota Motor Corporation will be the first Japanese automaker to import Chrysler-made auto parts. Chrysler Corporation intends to export automatic transmissions, fuel sprayers, and automatic lighting devices to Japan. The U.S. automaker is now studying the opening of a technology center in Japan to boost the export of its auto parts to Japan.

Toyota Motor Corporation has so far imported only small pressure sensors made by General Motors Corporation. In January this year, the Japanese automaker announced plans to import $5.28 billion (approximately 650 billion yen) in U.S.-made auto parts by 1994, including the purchase of local contents; this purchase is twice what the automaker purchased in 1990. The Japanese automaker is believed to have decided to purchase auto parts made by Chrysler Corporation, an anti-Japan, hardline U.S. automaker, with the aim of easing auto friction between Japan and the United States. Toyota is believed to be planning to embark on auto part deals with Ford Motor Corporation in the future.

Japan's surplus with the United States in the auto part trade amounted to approximately $8.2 billion in 1991 and the U.S. side is unhappy with this surplus in favor of Japan. At the Japan-U.S. summit talks held in January this year, President Bush reiterated his request that Japan live up to plans to boost its import of U.S.-made auto parts.

Tokyo To Press DPRK on Nuclear Inspection

OW1407063592 Tokyo TOKYO SHIMBUN in Japanese 12 Jul 92 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] The Japanese Government has decided to press North Korea on the implementation of North-South mutual nuclear inspections at the eighth round of Japan-North Korea normalization talks to be held in Beijing in August, at the earliest, claiming that implementation of mutual nuclear inspections is the consensus of the international community. This was disclosed by a Foreign Ministry source on 11 July.

As a way of confirming what moves North Korea will make in connection with the mutual nuclear inspections, the Japanese Government will pay close attention to what the North Korean side says in connection with mutual nuclear inspections at the seventh round of the North-South Joint Nuclear Management Committee to be held in Panmunjom on 21 July. The Japanese Government plans to decide when to hold the eighth round of Japan-North Korea normalization talks after analyzing the results of the joint committee.

At the seventh round of Japan-North Korea normalization talks held in May, both Japan and North Korea decided to hold the eighth round of talks in late July. Now that the Japanese Government has decided to deal with the question of when to hold the eighth round after confirming North Korea's stance on the mutual nuclear inspections at the joint committee to be held on 21 July, it will take time for the government to decide exactly when to hold the talks. Hence, the eighth round of Japan-North Korea normalization talks will certainly be postponed until after early August.

The Japanese Government plans to pay close attention to what North Korea says in connection with mutual nuclear inspections at the joint committee, because current moves by the international community toward nuclear inspections in North Korea are highly likely to function as a factor urging North Korea to shift its nuclear inspection policy (according to a Foreign Ministry source).

Recent major moves in connection with the nuclear inspections issue in North Korea are: 1) President Bush has announced the withdrawal of tactical nuclear weapons from overseas U.S. military bases; 2) the industrial nations' summit talks (Munich summit) adopted the chairman's statement urging North Korea to implement North-South mutual nuclear inspections; and 3) about 20 nations at a Board of Governors meeting of the International Atomic Energy Agency (IAEA) in June called for the implementation of North-South mutual nuclear inspections.

The Japanese Government believes that since President Bush has announced the withdrawal of tactical nuclear weapons from U.S. military bases abroad, North Korea

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no longer has any reason to demand nuclear inspections on U.S. Forces' military bases in South Korea. Some government officials think that North Korea may indicate a shift in its nuclear inspection policy and accept the North-South mutual nuclear inspections at the joint committee.

Taiwan Official Views Ties to Japan, PRC

OW1407025492 Tokyo ASAHI SHIMBUN in Japanese 11 Jul 92 Evening Edition p 7—FOR OFFICIAL USE ONLY

[Interview with Hsu Shui-te, representative of the Taipei Economic and Cultural Association in Japan, by editor in chief Yasuo Murada; place and date not given]

[Text] [Murada] The name of the Tokyo Office of the East Asia Relations Association, which has thus far played the role of a contact point between Taiwan and Japan, became the Representative Office of the Taipei Economic and Cultural Association as of 20 May.

[Hsu] Thus far, there have been many inconveniences. As a temporary measure to maintain practical exchanges between the Republic of China and Japan after relations were severed 20 years ago, in 1972, Japan set up the Exchange Association and Taiwan established the East Asia Relations Association as contact points. The East Asia Relations Association has not become well known. Now, nearly 1 million Japanese visit Taiwan and they have to come to the association to obtain visas. Many Japanese do not know the association and they often call the Taiwan Tourist Association to ask about their visas. We have lobbied the Japanese side for years to change the name of the association so as to help Japanese people understand it easily and to provide a convenient service to both Japanese and Taiwanese.

[Murada] So, the name Taipei was added.

[Hsu] Our country intended to change the name of the association into the Representative Office of the Republic of China, but the Japanese Government would not recognize it. We understand the Japanese Government's position. The name "Taiwan" gives the impression that Taiwan is an independent state and we cannot accept that. We wanted to change the name of the association into the "Representative Office of Taiwan," but the Japanese Government opposed it, saying that the name could be taken as a "government organization." So, we added the words "economic and cultural" out of consideration for Japan's position. We are not satisfied with the name. We expect economic and personnel exchanges, and trade between Taiwan and Japan to grow further.

[Murada] Economic exchanges between Taiwan and China are growing at an alarming speed.

[Hsu] Economic exchanges between Taiwan and China are growing mainly through indirect trade via Hong Kong. Private-level exchanges between the two countries became active four years ago. According to our statistics, last year, indirect two-way trade between Taiwan and China amounted to $5.5 billion. One million Taiwanese travel to Mainland China every year and they have invested $2-$3 billion on the mainland. Their investments are expected to grow. The Taiwanese, however, should be cautious about direct investments in Mainland China.

[Murada] Economic exchanges between Japan and China are growing steadily.

[Hsu] Exchanges between Taiwan and Japan have grown substantially since relations were severed. We welcome Japan's investments in China. The joint investments by Japanese and Taiwanese enterprises in China will yield smooth investment results. I hope that they will make joint investments in Southeast Asian nations. There are many enterprises in China and Southeast Asian nations who have a good understanding of Overseas Chinese.

[Murada] Japan's trade surplus with Taiwan is still growing. What do you think?

[Hsu] Last year, Taiwan registered a $9.7 billion deficit in trade with Japan. This year, the deficit is expected to balloon to $12 billion. We, however, do not complain bitterly about the growing trade deficit. Although Taiwan's trade deficit with Japan is enormous, this trade benefits the two countries. As a measure to defuse trade friction with the United States, Japanese enterprises can manufacture machinery and parts in Taiwan, using their superior technology, and this will lead to a reduced trade surplus with the United States.

[Murada] How do you view China's economic reform?

[Hsu] In 1950, per capita GNP in both Taiwan and Mainland China stood at approximately $500. While the per capita GNP in Taiwan amounts to as much as approximately $8,000, that in Mainland China amounts to only $400, showing a large gap between Taiwan and the mainland.

This represents the supreiority of our system based on the principles of freedom, democracy, and equality. The mainland has no choice but to pursue the reform and open-door policies as we have done.

I served as mayor of Kaosiung City; there is an export processing zone in the city. China created the special economic zone in Shenzhen city, Guangdong Province, modeling it after our export processing zone. The population of Shenzhen city has grown from 30,000 to 1.2 million since China's economic reform and open-door policies went into force and this is evidence that the Chinese people have embraced the polices that were formulated on the basis of our system.

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Miyazawa Ready for Economic Challenge

922B0158 Tokyo NIKKEI BUSINESS in Japanese 11 May 92 pp 32-33—FOR OFFICIAL USE ONLY

[Unattributed "Trends" article: "Beset by Foes, Prime Minister Miyazawa Takes on the Economy With Leeway From the Recruit 'Settlement' and With the Budget Completed"]

[Text] Does the Miyazawa regime, which is being pressed by the G-7 [Group of 7] to revive the economy by boosting internal demand, have any economic options with no upward movement in the economy? "Miyazawa the economic expert" is being tested as the July summit and upper house elections approach.

Washington, America's capital city, is buried citywide in creamy dogwood blossoms. The G-7 (conference of the seven nation's financial ministers) ended, and Finance Minister Haneda's expression as he was leaving the Blair House (guest house) site was quite sullen. Although the G-7 did not mention "Japan" by name, they clearly requested in a visibly understood form that Japan increase internal demand and lower its interest rates.

This is what the Japanese Government had feared most. Despite Japan's diligent advance preparations, the other nations did not make concessions. The Japanese side's intense resistance merely produced a delay for the end of the meeting. European and American finance ministers were gripped by a sense of peril that a worldwide panic could be triggered if Japan errs in controlling its policies to handle the economy. The Miyazawa regime is being asked domestically for additional measures to aid the business climate and drastic responses are sought from elsewhere in the world.

Pressure From the Outside World as Release of the Draft Large Supplementary Budget Is Considered

Prime Minister Miyazawa was contacted by his private secretary at his office in the official residence. He only says, "Is that so?" and acts as if he is in deep thought for a while. The economy controls not merely the Miyazawa administration's fate, but has become a big issue dominating United States-Japan relations and even Japan's international standing. For Prime Minister Miyazawa, who had vaguely thought of something like working out a large-scale supplementary budget draft as a measure for the July upper house elections, the shock was not something he could hide. Both Japan and Prime Minister Miyazawa are beset from all sides.

Mr. Hakuo Yanagisawa, a Diet member of the Miyazawa faction and a former Finance Ministry bureaucrat, presumed to march into the office at the prime minister's official residence. He said: "After the first oil shock, Mr. Fukuda (former prime minister) at that time proclaimed, 'The Japanese economy will be over this in three years. We will now shift to a new pricing system.' Now is the time for us to learn from that example."

Prime Minister Miyazawa tilts his head as he always does and silently listens. When Prime Minister Miyazawa remains silent, it means he does not agree with the other person.

Prime Minister Miyazawa's view of the situation differs from that of the public. He expresses the view that "certainly, the bureaucracy's judgment of the economy tends to mislead society. Yet, I think the economy bottomed out in the January-to-March period. It is working its way up from the bottom in this April-June period." Public criticism is focusing on the optimistic judgment of government economists on the current situation and on their passive countermeasures; but Prime Minister Miyazawa himself is a government economist incarnate from his long record of having worked as director of the Economic Planning Agency.

Whatever the G-7 May Say, the Official Rate Cannot Be Lowered Further

The stock market showed only a cynical reaction to the April 1 lowering of the official rate by 0.75 percent. The Nikkei average fell as if sneering at the clumsiness of the measure. As might be expected, Prime Minister Miyazawa, too, held his head. Miyazawa secretly dispatched a messenger to Mr. Minoru Nagaoka, director of the Tokyo Stock Exchange. Mr. Nagaoka said to the messenger, "What is needed now is something we can see. Please have me called to the official residence."

It was the day after the lowering of the official rate, April 2, that Mr. Nagaoka and Japan Securities Business Association President Seigo Watanabe were called to the residence. Prime Minister Miyazawa told them: "I'd like to have securities circles endeavor to restore investor confidence so that capital markets will function soundly." Typically, it seems that Prime Minister Miyazawa also had forgotten that, at the time of the 1929 panic, United States President Hoover had called in the head of the stock exchange, which triggered the crash.

His view of the state of the economy is a bit optimistic, but Prime Minister Miyazawa is aware that business-cycle trends hold the fate of his administration. Emergency economic measures were implemented without waiting for the fiscal 1992 budget figures under the orders of Prime Minister Miyazawa. The Ministry of Finance strongly resisted, saying: "There is almost no precedent for doing that before the budget is compiled." Yet, immediately after that, he summoned Finance Ministry officials and gave the order. He sent a message through another person to Governor Mieno of the Bank of Japan, which said not to delay in taking financial measures.

There is no way that Prime Minister Miyazawa can get the "theory of business cycles" out of his head. To be sure, stock prices have fallen far and companies in securities, banking, and real estate face a crisis; but businesses in general are strong and will be on the road to

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recovery by early fall if they speed up the tempo of their inventory adjustments. That is how Prime Minister Miyazawa reads it.

Whatever the G-7 may say, the official rate cannot be lowered any further. The reductions late last year and that at the beginning of April both were done through quite forcible requests to a reluctant Governor Mieno. Prime Minister Miyazawa, who is in the habit of saying "the official rate is a matter exclusively for the Bank of Japan," unexpectedly let drop that "this ends it" immediately after the 0.75 percent reduction, because he owes something to Governor Mieno.

With the G-7's joint communique having stressed the necessity for additional measures to increase internal demand, however, calls from within the country in line with that will probably strengthen. Already former prime minister Takeshita has said that "a second shot is needed," thus asking that additional economic measures be rushed. Even the four-man meeting of former prime ministers Nakasone and Takeshita, LDP Director General Kanemaru and former lower house speaker Tamura agreed to admit that it is necessary to set out with additional measures for the business cycle before the upper house elections. This line was conveyed to Prime Minister Miyazawa the next day. Those in and around the official residence have begun deliberating the timing and substance for doing that.

In the inside pocket of Prime Minister Miyazawa's jacket are memos on economic indicators showing all sorts of recent economic trends. There is no computer terminal in the prime minister's official residence whereby daily shifts in the Nikkei average may be followed; but young Finance Ministry officials assigned to the secretarial office are delivering daily memos on the opening and closing prices to the prime minister. Prime Minister Miyazawa recently has shown stronger interest in talk about the economy. Most of his talks with financiers and bureaucrats are talks on the economy.

Resolve "From Now on To Carry Through on Things the Way I Think"

It is because Prime Minister Miyazawa has gained some psychic leeway that he has come to pay serious attention to talk about the economy. The biggest thing giving him that leeway is that those around him are in accord that "his own Recruit problem has, in actuality, been resolved." He seems to have built up quite a bit of mental fatigue from daily pricking attacks by opposition Diet members in the budget deliberations. Diet members of the Miyazawa faction say, "Another thing is that the budget has been compiled. As he was originally a Finance Ministry bureaucrat, he feels the importance of the budget far more than ordinary politicians. I have never before seen a premier looking that delighted when it passed."

Apparently the cabinet support rate, which had been hovering in the 20-percent range, has somehow headed upward, and survey findings are coming out that exceed 30 percent. Some life has returned to the face of Prime Minister Miyazawa, who had at times looked exhausted by evening. Mr. Yohei Kono, an official of the Miyazawa faction, says, "He is not one who can give a flashy performance. But, it would be great if we could get people to understand the internal grandness, which he possesses."

One reason the economy has subsided is distrust of the Miyazawa regime. The impression that it has no power of leadership led to doubts about Japan's ability to carry out its policies and was behind the drop in stock prices. Added to that were the continuing efforts of the Finance Ministry and Economic Planning Agency to cover up their errors of judgment on the economy with rhetoric. The sense of distrust also was abetted by the bad timing of the Bank of Japan's actions on financial policy.

In the sense of facing the economy head on as a policy issue, Prime Minister Miyazawa is now having a change of heart and trying to rollback. "I have been trained to think that it is good not to come forth too boldly. Yet, I well understand that that is no good for a politician. Because I have become the prime minister, I will hereafter carry through on things the way I see them." Prime Minister Miyazawa expresses here a frame of mind in words, such as he has never before in his life given vent to.

Mr. Kanemaru, the creator of the Miyazawa regime, said the following at the banquet for working out the budget, held at the Kichicho restaurant: "I will support you, sink or swim. People talk of things like simultaneous upper and lower house elections; but let's have the government and party do this without thinking of such things." A Kanemaru statement that could be taken to accept same-day elections. Prime Minister Miyazawa's next issue is whether or not the Liberal Democratic Party can mobilize its maximum power and have it carry out same-day elections, which would in themselves be an economic countermeasure.

New Measures Planned To Speed Customs Clearance

OW1407114092 Tokyo NIHON KEIZAI SHIMBUN in Japanese 13 Jul 92 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] To speed up the customs clearance procedures, the government is considering concentrating in the customs service all information regarding customs clearance that each ministry and agency holds.

This action is in response to U.S. criticism that "it is time-consuming and costly to clear Japanese customs" which require some imported goods to go through separate screenings by the Ministry of Finance (which controls the customs), the Ministry of Agriculture, Forestry, and Fisheries [MAFF], and the Ministry of Health and Welfare [MHW]. The government will announce its plan at a follow-up meeting of the Japan-U.S. Structural Impediments Initiative (SII) talks scheduled for 28 July.

Beginning fiscal 1993, it will start groundwork to concentrate information in the customs.

The first stage of the work includes: 1) introducing a computer system in animal and plant quarantine stations and medical quarantine stations to computerize customs procedures; 2) connecting the customs service with their offices in the competent authorities so that information that the authorities hold will be collected by the customs.

Currently most inspections of animals, plants, and food depend on manual labor by quarantine officers and inspectors. This has caused time-consuming work for permits and approvals required by the Food Hygiene Act and the Plant Quarantine Act. Also it is very rare that the customs and the competent authorities exchange information on the results of inspections and screenings.

Japan has been criticized for applying the "vertical administrative system resulting from its bureaucracy" to customs clearance procedures. To correct the present system, the Ad Hoc Council for the Promotion of Administrative Reform has compiled a report calling for strengthening cooperation between customs and the competent authorities. In September 1990, the government established the "Liaison Conference of Ministries and Agencies on Customs Clearance," through which it has studied measures to speed up customs clearance procedures.

According to a survey conducted by the conference in February 1992, the time spent on customs clearance in Japan is almost double that in the United States. To speed it up, the MHW and MAFF have increased the number of food hygiene inspectors and plant quarantine officers and had them work longer hours. Despite such efforts, customs procedures are not always smooth because of the increasing number of imported goods and the diversity of items.

To correct the situation, the government will study measures to concentrate information concerning inspections and quarantine in the customs service and to give authority on customs clearance solely to customs.

Group To Study Government, Private-Sector Roles

OW1407030392 Tokyo ASAHI SHIMBUN in Japanese 12 Jul 92 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] The Ministry of Finance [MOF] has set up a "study group on role-sharing by the government and private sectors," which is aimed at studying the future financial situation and sphere of government activities, in view of the sharp increase in Japan's share of financial aid projects to foreign nations such as the former Soviet republics. A report is expected to be worked out by next March. Since it is anticipated that government expenditure will be increased to meet the needs of an aging society, the MOF intends to decrease the financial burden through such a study. Among 20 members of the study group (with Professor Keimei Kaizuka of Tokyo University as its chairman) are university professors; executives of research institutes of such private enterprises as banks, transport companies, and securities firms; as well as MOF section chiefs. Discussions will be held on such themes as industrial policies, monetary affairs, welfare and education, pensions, taxation, public services, and privatization, so that a line of demarcation can be drawn between activities for the government and for the private sector in each field.

The Ministry's Institute of Fiscal and Monetary Policy maintains: "Amid increasing financial demands for such efforts as international contributions and the improvement of social security, what will be the appropriate extent for the government to provide public service? This and other topics such as administrative instructions and Japanese-style economic management led by ministries and agencies will be studied."

It has been mentioned that privatization of the emergency medical service has been promoted in the United States, and, based on this situation, this view has been stated at past sessions: "In the United States, emergency medical service has been provided by private enterprises to promote reduction in costs and privatization of public service. Isn't it time for Japan, in which medical expenses have increased, to introduce a plan so that a health insurance system will be established and fees for doctors will be decided in accordance with the results of the medical service provided."

As a result of a series of securities and financial scandals since last year, the current system of issuing administrative instructions has been criticized. In this connection, it is noteworthy that the following view has been mentioned: "It will be necessary to review the system which is based on financial authorities issuing instructions from above while financial organs follow these instruction, and shift to a system based on enterprises attaching importance to their own responsibilities."

Government-Private Sector Relationship Examined

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[Article by NIKKEI BUSINESS reporters Atsushi Suemura, Shinzo Takami, and Kenzo Tanikawa: "Restructuring of Government-Private Sector Relationships—From Collusion to Self-Reliance!"]

[Text] **Proposal**

1. Reform the financial and securities administration involving protection of the industry through the ship convoy method and expedite the establishment of the principle of self-responsibility on the part of depositors and investors through public access to information.

2. Restrain administrative intervention as an umpire to sustain "coordinated-style" business activities and discontinue murky administrative guidance, in order to encourage self-reliance on the part of company management.

3. Execute administrative and political reforms, cultivate self-reliance on the part of the general public, and eliminate "presumptuousness" and "blackmailing," in order to clarify the respective roles of central government, local governments, and civilian firms.

Note: The survey concerning the "Government-Private Sectors Issue" was conducted in March by mail and covered a total of 400 individuals, including 100 department heads respectively in the Ministry of Finance (MOF) and Ministry of International Trade and Industry (MITI), and 200 top executives of primary listed businesses and financial institutions (including securities and insurance firms). The survey covered the status and theoretically correct posture of Japanese government-private sector relationships. Responses totalled 85 (including 16 from the MOF, 25 from the MITI and 44 from the private sector). Since fractions below the first digit to the right of the decimal point were rounded off, totals may not agree with the sum of the breakdowns.

The "Heisei Depression" has intensified the situation wherein the "systemic depression" signifies that the post-World War II system in Japan has reached its limits. The "government-led," "government-private-sector monolithic" Japanese-style system faces a crisis, concurrent with the collapse of the world framework supporting growth.

In the financial and securities industries, the industry security system based on the ship convoy method is weakening and failure is only a matter of time. Even the export industry which increased its competitive strength to the point of triggering international friction has begun to awaken to the hazards of coordinated movements using the services of an umpire. The erstwhile "government-private-sector relationship" which provided the function of spreading risk, has now been transformed into a cause for increasing risk.

This series titled, "Restructuring Japan," explores issues concerning the Japanese economy which now faces a period of qualitative change. The review of the "government-private-sector relationship" will constitute the first step in the alteration of Japanese-style capitalism. Administrative reform, which breaks down the closed situation, will start with businesses' awareness of risk and their cultivation of the resolve to build self-reliance.

From Protectionism to Self-Responsibility and From Murkiness to Transparency

The MOF financial administration which is called the ship convoy method has begun to collapse. MITI is now searching for a new action pattern for Japanese industry, which has become excessively powerful. The government-private-sector relationship which has sustained Japan in the past must now be restructured.

Self-Assertive Banks and Distrust-Creating Securities Firms

The MOF is losing its supernatural powers

Speculation is rife concerning the nonperforming loans situation plaguing banks. According to estimates of financial sources, the value of nonperforming loans wherein interest payments are delinquent or recovery of principal is questionable for 21 principal Japanese banks, such as city banks, reaches 4-5 trillion yen.

Those that are in especially serious condition are those categorized below regional banks. One financial analyst warns, "Nonperforming loans of all financial institutions including regional banks, second regional banks, and credit unions should be seen as reaching 10 trillion yen or more. Structurally weak middle-and-lower-tiered banks could fail if land and stock price recovery is delayed." There are some economic research institutes that have postponed publication of their surveys of operations of financial institutions conducted at the end of last year, because the findings were so shocking. Now, the operational problems of financial institutions are becoming a forbidden topic.

Considerable sums of interest have been included as interest earned (accounted for as interest receivable) for the fiscal year ending March 1992 at medium and small financial institutions on real estate and nonbank loans, where interest payments have been suspended, under the premise that interest payments will be made in the near future. This analyst states the view that,"If delays in interest payments continue for another half year, certain banks will face an explosive situation with the nonperforming loans problem. The period after this summer will be a very critical period."

MOF Faces Unexpected Resistance From Sanwa Bank; "Carrots" Decreased by Relaxation of Regulations

At any rate, operational crises at banks are increasing in reality. The ultimate issue for MOF administration will become a question of whether or not it will be able to provide an aid program.

That very question will be put to a test with the aid problem for Toyo Credit Union which was hit by an operational crisis by the fraudulent deposit certificates used by the accused Nui Onoue.

The MOF concluded that the Toyo Credit Union which holds huge amounts of fraudulent deposit liabilities cannot be rebuilt as an independent entity. The ministry sought the aid of Sanwa Bank which employs over 30 former officials of the MOF, citing the great cause of "maintaining trust and order." But, in response, Sanwa Bank has consistently rejected MOF's request as reflected in the statement by President Ko Watanabe saying, "There is no merit in a merger. This bank cannot

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execute a simple merger that cannot be justified before our shareholders." At the beginning of this year, top management of the Sanwa Bank was summoned to the MOF, but they left without even looking at the ministry's reconstruction plan.

It must have been quite a surprise to the MOF that Sanwa Bank would assert that much independence toward the ministry which intervenes in many detailed ways, such as on the opening of new branch operations, development of new products and personnel actions concerning bank officials.

A voice heard from other city banks that are watching the movements in the situation, as quoted from a vice president of a leading city bank says, "We reject the imposition of actions based on convenience for the government administration." Tomorrow, they could become the target of an imposition and thus they are sympathetic to Sanwa Bank. The supernatural powers of the MOF have definitely begun to decline.

The biggest reason for this attitude change on the part of banks is the decrease in the "carrots" that can be offered by the ministry. It is now difficult to entice banks into a desired action by offering permits for new branches, because controls on establishment of branches have been relaxed through liberalization. The self-responsibility awareness that "The MOF will not assume responsibility if a bank fails" is associated with the attitude that they should "assert whatever should be properly asserted."

Needless to say, not necessarily nonexistent is the dispassionate observation that,"Sanwa's resistance is a tactic for securing favorable terms from the creditors of the Toyo Credit Union and the MOF. Anyone affiliated with a bank knows that he cannot win in a struggle with the MOF which has the authority to audit banks and has the National Tax Administration Agency under its jurisdiction.

However, conflicts of interest concerning aid to banks will intensify sharply in the future. Skill in coping with such situations will govern the survival of banks. If the walls distinguishing the types of banking functions permissible based on financial system reform are removed, coordination of interests within various groups of banks, such as city banks and long-term credit banks, will no longer apply. Individual expectations will take precedence, and it is inevitable that struggles will intensify with the MOF concerning individual situations, such as in the case of Sanwa Bank.

Management Crises at Financial Institutions Has Led to a Delay in the Disclosure of Nonperforming Loans

Ever since the Meiji Era, the MOF has made discriminatory use of "carrots and sticks" among different types of financial institutions and skillfully managed the maintenance of financial order. Before World War II, when the underwriting function for corporate bonds was transferred from long-term trust banks to securities firms, the ministry gradually changed the financial system by such actions as approving consignment services for long-term trust banks (performing agency services in connection with the issuance of corporate bonds).

However, industry circles have begun to assert the nonessentiality of high-cost consignment services. Already business associated with the issuance of bonds by Japanese firms is being diverted to low-cost operations in Europe. Government administration involved with coordination of interests is being overtaken by the speed of environmental changes.

Furthermore, the bursting of the bubble has introduced a situation wherein protective administration covering the coordination of company activities can no longer be maintained. Yoshio Gyoten, consultant to the Bank of Tokyo and former finance commissioner of the MOF comments,"Liberalization and self-responsibility go had in hand. Stabilization of financial order is important, but in the case of Japan both banks and depositors must become more sensitive to the risk factor. To take action on the basis of the major premise that financial institutions will not go bankrupt under any circumstance is not compatible with this age."

The MOF has already exerted efforts for over 10 years to change directions from "regulation and protection" to "management based on self-responsibility." However, what became a headache was that the environment concerning bank operations began to change somewhat ahead of the predictions made by the MOF.

Typical of this situation was the disclosure of information concerning nonperforming loans which was scheduled to be implemented from the March 1993 fiscal year. Once the decision was made to seek self-responsibility of depositors, there was a need to provide accurate public information on the operating status of financial institutions. Disclosure of nonperforming loans would be a principal part of this change.

When the Banking Laws were revised in 1979, Hiromi Tokuda, currently advisor to the Nomura Central Research Institute and then director of the Banking Bureau of the MOF, treated the disclosure of nonperforming loans as an important element of the legislative revision. However, the substance was watered down considerably because of opposition from the banks. Now 10 years later, it appears that change will become reality.

However, financial institutions now face the situation in which they may not be able to avoid an operational crisis before the implementation of disclosure rules because of the bursting of the bubble. Control over the industry is diminishing on the one hand, while timely preparations are not being made to cope with the operational crisis.

Furthermore, the banking industry itself is split in two concerning the disclosure of nonperforming loans. The Federation of Bankers' Association of Japan proposes a disclosure plan wherein "public disclosure will cover the balance of loans to bankrupt companies and loans where interest payments are delinquent in excess of six months, less the value of the collateral," while the Regional Banks' Association of Japan, which has banks with low-grade assets, is calling for relaxation and flexibility in the public disclosure rules.

This matter will be reviewed by the Financial System Commission in the future, but it appears a decision is several months away. At any rate, the current situation where disclosure is being studied after deterioration of operational conditions is indicative of being outmaneuvered by the circumstances.

The Distrust of Securities Firms of the MOF Based on the Tightening of Regulations May Reach Its Peak When Brokerage Fees Are Decontrolled

An official in charge of planning at a leading securities firm voices a request addressed to the securities administration of the MOF saying, "I would at least seek that insult not be added to injury." After the breakout of the industry scandals, the Securities Bureau of the MOF implemented a series of measures to prevent recurrence. However, preventive measures were taken without any regard for the ideas of the securities industry, because relationships between the MOF and the securities industry, especially with Nomura Securities, had deteriorated to extremes because of the problems concerning compensation for losses. They say the result was the loss of flexibility because of tighter regulations over the securities firms and the markets.

In reality, when the "Securities and Exchange Surveillance Commission," which aims to become the Japanese version of the U.S. Securities and Exchange Commission (SEC), is established this summer, types of inspecting agencies over the securities firms will total six to include the agencies already in existence, such as, Operations Department of the Securities Bureau, Bank of Japan examination activity, newly established Financial Audit Department of the MOF, Japan Securities Industry Association, Tokyo Stock Exchange and the Surveillance Committee of the exchange. A president of a securities firm affiliated with a leading city bank expresses his dissatisfaction profusely as he says,"We won't be able to take care of our business if we are faced with inspections throughout the year."

Furthermore, the securities industry distrust of the MOF peaked because the brokerage fee issue, which had settled for "maintenance of a fixed rate system after many years of deliberations by the Securities and Exchange Council, was reversed 180 degrees to liberalization because of the recent scandals. The distrust was expressed in such jaundiced remarks as, "Within the same MOF, the Banking Bureau denied scandals involving the compensation for losses incurred by money trusts and minimized criticism relative to the banking scandals, but the Securities Bureau directed all responsibility to include the hysterical criticism of the general public toward the securities firms." It is now common knowledge in Kabuto-cho that Nomura will not cooperate with the MOF until Securities Bureau Director Matuno is replaced.

The scandals triggered a break in the ties between the government offices and the industry, creating a relationship consisting of a one-way street. Some actions taken by the government authorities lack compatibility with the real world, because information on real market conditions is not flowing into the concerned government agencies.

Sluggish market conditions at the beginning of the year caused the MOF to request securities firms to stimulate the markets. However, the true sentiment of the securities firms was, "We hesitate to make any moves because even if they ask us to stimulate the markets, we're prohibited from engaging in large-scale promotional trading." Furthermore, the sudden doubling of fees for futures trading, because it was thought that speculative trading causes turmoil in stock trading, has had undesirable effects.

A criticism voiced among market insiders says,"The change in futures trading fees will leave only the large-scale speculators in the markets and those stock traders who used futures to hedge their positions will withdraw because the increased fees make the use of futures cost-prohibitive. This will increase the speculative nature of stocks."

Dissatisfaction is increasing relative to the restrictions imposed on securities firms' trading for their own accounts. The MOF takes the position that trading by securities firms for their own accounts should be strictly supplementary to brokerage trading and takes a negative position on primary trading for brokerage firms' own accounts. However, the opinion is spreading rapidly that, "Since a decline in profitability is already obvious in the area of brokerage activities based on decontrolled brokerage fees, how do they expect securities firms to survive without allowing them to trade for their own accounts?" The securities industry and the MOF have distanced themselves to the point where they may not be able to restore previously existing relationships.

Heretofore, right or wrong, the securities industry discussed everything with the government. That relationship was responsible for distorting markets.

One day, year before last, officials at 30 or so securities firms received a call from an undesignated securities firm and gathered at a conference room on the third floor of the MOF. Upon reporting to the conference room, it was noted that no one was attending from the ministry. A representative of one of the securities firms addressed the group and spoke in an indirect manner when he said, "If sell orders for NTT stock should accumulate further, they will have an adverse effect on the market and could eventually be such as to deal a blow to the entire Japanese economy." An official of a medium-size securities firm recalls ,"At first, we could not figure out what he was trying to say, but eventually his words were interpreted to mean, 'Don't accept sell orders for NTT stock from customers.'" The MOF was not mentioned at all during the entire conference.

Clever market intervention of the nature witnessed with NTT stock was not to be seen subsequently after the MOF came under attack. Even government insiders are voicing strongly the view which says, "Avoid unnecessary market intervention. Any attempt to control the market will produce undesirable reactions."

Will the Surveillance Committee Be Able To Maintain Its Independence? Will the Securities Dealers Association of Japan Be Able To Act Independently?

Since fall of the year before last, the MOF has discontinued discretionary administrative guidance and verbal guidance, consolidated or rescinded notices and changed to a course of objective administration based on indices such as ratios concerned with equity regulations. The ministry also embarked on a plan to move from an emphasis on "administration of the industry" to "administration based on market surveillance."

However, efforts to enhance the transparency of the markets invited a deterioration in relations between government and private sectors and turmoil in the markets. This is why you hear calls to restore Nomura to its former status in the words, "As the industry leader, Nomura should reconcile with the MOF."

However, the question is, will the Japanese stock markets recover just because the MOF and Nomura reconcile? The sharp decline in stock prices is deeply rooted in other causes. It appears that the largest cause for the recent sharp decline in stock prices was based on none other than the collusive structure between the MOF and securities firms as well as the companies issuing stock. It can be said that the markets have imposed a question mark on the future of distorted Japanese capitalism.

The awkwardness between the government and industry at the present time should probably be interpreted as a transitory phenomena on the road to normalization. The scandal has triggered a crossing of a river by the MOF and the securities industry over which there is no return. The two should avoid any thought of an easy return to the former status, but rather should continue a search to normalize markets even if the path should prove to be circuitous.

The principle to be followed in market administration should include judgments (investigations and indictments on unfair trades) passed by the newly established surveillance committee on individual transactions, delegation of authority to the Securities Dealers Association of Japan to implement rules, while the government dedicates itself to the implementation of overall rules (Securities and Exchange Law) and maintenance of grounds (capital markets). A structure based on such concepts is under construction. The only additional step remaining is the degree to which the framework will be fully implemented covering questions, such as, can the surveillance committee, to be composed of personnel transferred from the MOF, maintain its independence from the ministry itself? Will the Securities Dealers' Association of Japan maintain a healthy distance from the government and act independently? Success or failure depends on mutual awareness on the part of government and industry.

The panic triggered by the scandals distanced the government and industry for the first time, providing a superb opportunity to consider future relationships between government and industry.

An official of Nomura Securities comments,"We paid an awfully high price, but distancing between the industry and the ministry has taught us some lessons. This is a time for calmly discussing the overall situation to include the merits of the licensing system.

[Box, p 15]

Government Is Already Changing; Industry Must Gain an Awareness of Self-Help and Self-Reliance

By Hiroshi Yasuda, administrative vice minister of the MOF

The development of Japan after World War II can be said to be the result of cooperation between government and private sectors. However, Japan alone cannot adhere to a heterogeneous system in the face of internationalization. The various systems based on regulations and guidance peculiar to Japan must be converted so that they apply internationally. Typical examples are financial and capital markets. Financial and securities administration which were said to rely on ship convoy methods are undergoing major changes.

The financial systems reform bill, currently pending in the Diet, provides for further regulatory easing such as the mutual market entry by banks and securities firms through subsidiaries. The economic bubble burst and scandals arose while the bill was pending, but it has been revised to reflect these events. Licensing standards for the securities industry have been clarified, circulars are under review and are being converted to laws and ordinances as required on the one hand, while government procedures have been clarified and certain areas have been relegated to self-regulation by industry.

Systems and the environment are undergoing major changes, but we must provide for past and future maintenance of the health of financial institutions and securities firms through routine protection of depositors and investors and the maintenance of confidence and order by the review of management indicators, disclosure of information and guidance concerning annual earnings reports in relation to the operation of financial institutions and securities firms. It is believed best that management failures are prevented before they occur.

Upon examining the current earnings power and retained earnings of Japanese financial institutions and securities firms, one cannot conceive of an immediate operational failure, but it would be desirable to undergo a shift in awareness from that of "protectionism" to "self-help and self-reliance." It is important to establish an adequate understanding of the principle of self-responsibility on the part of financial institutions and securities firms as well as depositors and investors in connection with the decontrol of markets. [end box]

Coordinated Competition Including Excess Production Capacity—MITI Searches for New Behavioral Principle for Businesses

Recently, the electrical equipment industry has witnessed frequent moves to extend the product cycle of such items as domestic appliances and audiovisual equipment.

Matsushita Electrical Industry Company extended the model change cycle for word processors and cordless telephones from six months to roughly one year. Mitsubishi Electric Corporation announced that model changes for nonportable VTRs will be changed from spring and fall to fall only. Such moves have spread to other companies, such as Victor Company of Japan.

Simultaneous Extension of Model Change Duration; Superficial Administrative Guidance—In Reality, Aim Is Prevention of Jump Starts

Product development and model change strategies, which tie directly into technical innovation and stimulation of demand, are basic to business activities. One wonders why the various firms are moving so simultaneously to review their procedures. At first glance, it appears puzzling, but if the moves made by MITI are superimposed, the situation can be appreciated.

It was the first part of February that reports indicated,"MITI has requested that principal domestic appliance makers extend their model change cycles." Later during March, the various firms successively announced plans to extend model change cycles of their products. In mid-March, MITI announced the results of a survey concerning model change cycles of domestic appliances, such as television sets and washing machines, and confirmed the movement toward extension of model change cycles.

Keiichi Aoyagi, head of the Electrical Equipment Department of MITI explains, "Frequent model changes not only generate distrust on the part of consumers, but increase trash and pose many environmental problems. They also obstruct the shortening of working hours for technical development departments and are destructive of competition with overseas manufacturers. Minor, insignificant improvements tend to demoralize technicians and pose the risk of aggravating the avoidance of manufacturers by prospective employees." The intervention of the ministry appears excessive because of its painstaking approach.

Department head Aoyagi continues, "We are not in a position to compel each firm to comply." On the other hand, he adds, "We will continue to survey progress in the future. If the model change cycle is extended to one year or more, we'll be in fine shape." For the civilian sector, MITI's survey of progress" constitutes silent pressure.

This situation literally appears to be a picture of "government guidance," but it does not necessarily fit such a simple description. A vice president of a leading electrical manufacturer says, "MITI has been talking about extending the model change cycle for two to three years, but economic prosperity caused the business community to disregard MITI. MITI does not have the authority to force businesses into any type of action."

"Now that MITI has only limited clear-cut authority concerning such matters as the issuance of permits and licenses, the only way it can exercise its authority, according to an official of a precision machinery manufacturer, is for MITI to "show top management of business, who covet medals, that it has the authority to recommend the issuance of medals."

However, a slowing in the economy led to the rapid deterioration of profits, and criticism from overseas caused a sudden turnaround in the attitudes of businesses and the assumption of a positive attitude toward extension of model change cycles. Needless to say, this is the case where industry is engaged in severe competition domestically and internationally and no one firm could unilaterally embark on an extension of the model change cycle which would place it at a competitive disadvantage. Even if industry were to agree on an arrangement on its own initiative, there was always the possibility that someone might violate the terms of the "collusion." Furthermore, they would have to keep a wary eye on the Fair Trade Commission. Then, it was time for MITI to act. The vice president of the electrical equipment manufacturer quoted earlier said, "To say that the model change cycle extension was implemented in response to the request of MITI was industry's idea for preventing jump starts of model changes by individual companies. Also, it is easier to convince company staff when changing strategy, if you say it is being done at the request of government authorities."

Superficially, it appears to be a case where industry is complying with administrative guidance, but, in reality, it's a situation wherein behavioral modification is being imposed on industry-coordinated actions under the pretext of MITI guidance. Conversely speaking, businesses are concerned with the movements of other firms and are unable to modify their own behavior until MITI issues administrative guidance. This situation renders MITI's administrative guidance feasible and provides the ministry with a reason for existence.

A department head of the Machinery and Information Industries Bureau of MITI says, "Problems that arise because of the coordinated structure of businesses can only be modified through the very same coordinated structure." Typical of this situation is MITI's erstwhile, transitory idea of establishing guidelines for shortening working hours by individual industry. If the target area happens to be businesses that act on their own volition, room for intervention by the government is limited. According to an official of MITI, "MITI in that sense is a special kind of government office not found elsewhere in the world that can function only in Japan."

Businesses Concentrate on Market-Share Competition Domestically and Internationally With the Idea That "Government Will Straighten Things Out in the End"

The "excessive competition" of Japanese businesses arises from their peculiar behavioral pattern wherein they swarm into any market viewed to have growth potential. There's also the aspect wherein government intervention such as regulation and guidance encourages such conduct. If intervention becomes an accepted thing, it leads to the tacit understanding that "the government will straighten things out in the end", and to the concentration of businesses on market share competition because the government can be expected to apply the "brakes," if necessary.

In reality, trade friction with the United States occurred in succession with such items as textiles, steel, color television, machine tools, automobiles, and semiconductors, but the steel industry is the only industry which took the initiative and resolved the situation through self-imposed controls implemented on its own discretion without resorting to government intervention. All other industries depended solely on MITI. Some proud young bureaucrats complain, "All we do is take care of problems of the civilian sector. Serving as a 'shield' in defending industry against the antimonopoly laws is the only reason for MITI's existence."

Complaints were voiced by industry which was forced to comply with self-restraints, but one official of an automobile manufacturer admits," Since MITI regulates exports for us, even an obvious export cartel can be treated as a nonviolation of antimonopoly laws." Self-restraints on exports were implemented, when this situation and MITI's theory quoted here were found to be consistent; i.e., "As long as Japan's national interests cannot be placed in the hands of one firm or one industry, it is only proper that government intervene when national interests are jeopardized." There's no denying that such repetitive disposition of problems obstructs the cultivation of the principle of self-reliance on the part of businesses and that coordinated actions become second nature.

The automobile industry announced the purchase of $19 billion (fiscal year 1994 goal) of U.S.-manufactured cars and parts during U.S. President Bush's visit to Japan in January. Companies in the industry had just announced a move to purchase parts in the United States as well as the value of imports and resisted additions to the purchase goals, but in the end they reluctantly acceded to additions at the request of MITI which were backed up by demands from the United States. Seki Okuda, managing director of Toyota Motor Company stresses, "Those goals will be a heavy burden on private firms." Then, the question is, why did they accede to the requests of MITI?

Allocation of Export Quotas Result in Allocation of Profits; Automotive Companies Swarmed Into U.S. Market

The Japanese share of the U.S. automobile market, inclusive of Japanese automobiles made in the United States, exceeds 30 percent, which means the principal Japanese automobile manufacturers are structurally dependent on the U.S. market for a large portion of their profits. The U.S. market is literally a lifeline for the Japanese auto industry.

Japanese electrical equipment makers once forced U.S. companies out of the television set market. However, there's no way that they'll overlook the destruction of a basic industry, such as automobiles, by foreign firms. The late Yoshihiro Inayama, honorary president of the Federation of Economic Organizations (Keidanren) said,"Japan-U.S. trade friction cannot be resolved through concepts of balanced expansion. The only alternative is reduced balance. One contribution Japan can make toward the United States is to refrain from exports." However, no one would listen to him.

In February, the U.S. Treasury Department refused to recognize Canadian-manufactured Hondas as North American autos and imposed a customs surcharge. That action should be interpreted as a signal from the United States "not to increase the U.S. market share of Japanese automobiles beyond the current levels." Honda Motor Corporation, which embarked on local production early on and treated the internationalization plan of becoming "a totally U.S. company" a major strategy of the firm, was unable to conceal its shock. Confusion within company ranks was aggravated by the sudden resignation of Vice President Shoichiro Irimajiri, who had served as president of U.S. Honda, because of his health.

Japanese companies which in the past asserted, "What's wrong with selling good vehicles sought by consumers at a low price?" have awakened to the risk of a management style that depends excessively on overseas markets.

On 19 March, MITI announced that voluntary auto export quotas to the United States would be reduced from the past ceiling of 2.3 million to 1.65 million in fiscal year 1992. In reaching that decision, MITI examined three options, i.e., continuation of the 2.3 million ceiling, 5 percent reduction from the fiscal year 1991 actual record of about 1.73 million vehicles and 10 percent reduction from that level. According to informed sources, Jo Hatakeyama, MITI counsellor, visited Washington, D.C., in February to obtain a feel for U.S. Government thinking, but the Commerce Department's reaction was subdued. A subsequent contact produced a response from a close associate of the President that "Even a 5 percent reduction would be appreciated," thus resulting in the decision for a ceiling of 1.65 million.

The decision was made known to the top management of each auto firm several hours before the official announcement. Despite the large reduction, the reaction of the auto industry, which had advocated "the continuation of current ceilings," was calm. It is true that the number of cars exported had already been gradually reduced, but greater importance was placed on the awareness that advocating the principles of free trade would only serve to aggravate the situation in the face of the real potential of losing the U.S. markets completely if worse came to worse.

The question is why did the problem become so complex? The United States cried for help in the face of the highly concentrated export offensive of the Japanese auto industry and in fiscal year 1981, MITI introduced self-restraints on exports. This led to rising sales prices and for auto manufacturers the United States became an even better money machine. The quotas functioned to ensure profits for each company and MITI's allocation of quotas translated into the allocation of profits. The price cartel on semiconductors is very similar in some respects.

Automakers have increased their presence in the U.S. market through local production, pouring in $5 billion in direct investments alone during the 1980s. However, those decisions were not made after independent judgments of management risks, but mainly on the basis of coordinated competitive awareness. The superficiality of such judgments is symbolized in the fact that Daihatsu Motor Company, Ltd, the last auto firm to enter the U.S. market, was forced into announcing its withdrawal from the U.S. market in February of this year after only six months.

Reexamination of the "Business-Type Society"; Improve Overall Rules Instead of Providing Individual Guidance

Since the post-World War II days, MITI has consistently adopted policies aimed at nurturing industry and upgrading the industrial structure. In other words, it engaged in the cultivation of businesses that possessed international competitiveness. Ironically, MITI is beginning to rack its brains to rein in Japanese businesses which have now grown so powerful as to take over world markets.

A report titled, "Industrial Policy for the 1990's," prepared by the Industrial Structure Council, an advisory agency of MITI, in 1990 has a subtitle called, "Beyond Emphasis of Supply and Emphasis of Economic Efficiency." The lead article pertains to the, "Reexamination of the Business-Type Society."

Yoshihiro Sakamoto, director of the Basic Industries Bureau of MITI points out that, "Today, the nature of Japanese capitalism is under question." He continues-,"The basic question is, can Japanese industry handle relationships with other countries on a stable basis? Right after losing World War II, tax systems, antimonopoly laws and company systems were introduced and were assimilated so as to fit Japan, but perhaps they now appear to be distorted in the eyes of Europe and the United States. It is now time to seriously debate the international appropriateness of systems in being for 40 years since the end of World War II.

Hiroya Ueno, president of Seikei University, comments, "In foreign countries, only a small minority comment favorably on Japanese-style capitalism and the majority state they do not approve of the system. That being the case, the side that must compromise is Japan."

Domestically, there is increased discontent over the inability to enjoy affluence commensurate with the nation's economic strength which makes the revision of post-war systems unavoidable. At that stage, a major question we must grapple with will be, how will we improve "businesses?"

MITI considers this issue a topic to deal with throughout the 1990's and it appears the new policy for fiscal year 1993 will be titled the "Structuring of the Future Image of Business." One official remarks,"Instead of individual guidance, we would like to guide industry in a certain direction by improving the overall rules that govern businesses such as the tax system."

Already, the assistant heads of each department at MITI are meeting with management officials of businesses under their cognizance and are beginning to gain an understanding of various management issues facing businesses, including environmental issues and shortening of working hours. According to a junior bureaucrat, the reason why these actions are being taken anew is that, "The business managers that we see on a routine basis are not necessarily well-versed in overall management matters and each department of MITI does not have a full understanding of management conditions at cognizant businesses."

It appears that MITI is attempting to go beyond the limits of past industrial policy and venture into the very heart of business management. A statement recently made unanimously by officials of MITI is, "We must establish new values." This is probably because they have begun to keenly sense the indispensable nature of a new principle to govern the behavior of businesses to replace the past policy of dedicated growth, before any attempt at improving rules.

A review of economic conditions makes it obvious we can no longer continue with Japanese-style coordinated management which feverishly pursues growth. The very fact that "Profits in industries monopolized by Japanese companies only, such as facsimile and cameras, are the worst," according to a MITI official, testifies that Japanese-style coordinated management has reached its limits.

According to an official of a leading automaker, "It was possible to maintain profits under coordinated behavior during the economic expansion phase." However, if high-level growth can no longer be expected, businesses

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must modify past behavior. This also relates to the restructuring of relations between MITI and businesses.

MITI's search for direction has attracted the interest of Kasumigaseki. A bureaucrat of the MOF comments, "The question is, what role can MITI play in the future based on the fact that past MITI administration was not based on any detailed law or authority. This is not a problem peculiar to another ministry in terms of the MOF or any other agency which is gradually losing authority in connection with the relaxation of regulations. The reason is that the direction taken in relations between MITI and industry will suggest the future of our direction."

Extract of Survey Concerning Government and Private Sector Issues—Government and Private Sectors Virtually Agree on Necessity for Change From Protective Administration to Surveillance-Type Administration

Question	Private Businesses	MOF	MITI
Do you think "financial and securities administration" should change from "business (protective) administration to "market (surveillance) administration?			
Agree	88.6%	68.8%	96%
Disagree	11.4%	31.2%	4%
What is your opinion of current securities administration?			
Appropriate	15.9%	62.5%	4%
Contradicts "market administration trend"	84.1%	37.5%	92%
Other	—	—	4%
What is your opinion on government guidance concerning such matters as response to Japan-U.S. auto friction and (action programs) on promotion of imports by export businesses?			
Response is appropriate	43.2%	43.8%	76%
Should not intervene in private-sector business management	52.3%	56.3%	20%
Other	4.5%	—	4%

Intervention Should Be Reduced as Much as Possible; Development of Basic Technology Should Be a Government-Private Sector Cooperative Project, by Yuji Tanahashi, administrative vice minister of MITI

The question of whether or not the economic structure has become strong is debatable, but Japan has been trying too hard to expand. Now is the time to review the situation and make one more attempt to improve relations between businesses and workers and businesses and the general public, and internationally with competitors' businesses.

I don't necessarily feel the criticism that "Japan's ratio of labor costs is low," is correct, but it is obvious that priority has been placed on the accumulation of profits to enable investments in manufacturing and technical development. We must avoid any situation that would undermine the strength of industry, but with this premise in mind, we need to take another look at wages. Wage levels and working hours are issues negotiated between management and labor, but shortening of working hours is being demanded by domestic and international sources and requires the assistance of the government in its implementation.

There was a time when MITI took the leadership in providing government guidance on the appropriate distribution of resources, but I believe the areas of government involvement have diminished. Transitory and partial coordination or unavoidable action to ensure free trade may remain, but intervention concerning industrial administration will be reduced as much as possible. However, on the development of basic technology concerning industry in the 21st century, such as four-dimensional computers, I believe we should take an active role in the form of government-private-sector cooperation placing emphasis even on international interflow of information. Furthermore, on matters concerning such issues as environmental countermeasures, industrial waste countermeasures and product liability, there is a need for government to serve as intermediary between industry and consumer.

Accordingly, a subactivity of the Industrial Structure Council is studying the total relationship between businesses and consumers including issues of this nature.

First, Discard Presumptuousness—Administrative Reform To Reduce Government Intervention Is Urgent; Spirit of Self-Reliance Will Influence Effectiveness

If businesses free themselves of dependence on government wherein the dispersion of risk is no longer significant, the relationship between government and civilian sectors will change. Although administrative reform to eliminate government intervention is urgent, the "presumptuousness" of the Japanese must be eliminated in order to ensure the effectiveness of system reform.

When the Nikkei average stock price fell below 20,000 yen in the middle of March, a doyen of the securities industry commented, "Managers keenly sense the fact that this depression is not part of a simple quantitative cycle, but is an issue of quality. The Japanese-style system of past management has reached its limits together with the bursting of the bubble.

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Daily Report

East Asia

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Tuesday
14 July 1992

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East Asia

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Japan

Tokyo, U.S. Begin Working-Level Talks on Trade

OW1307113592 Tokyo KYODO in English 1120 GMT 13 Jul 92

[Text] Tokyo, July 13 KYODO—Japan and the United States held working-level talks Monday aimed at ironing out trade differences before a meeting of senior officials late this month, the Foreign Ministry said.

The two sides will continue the working-level talks Tuesday, but the ministry did not provide other details.

The meeting came as Tokyo and Washington are preparing for a vice minister-level meeting June 28 and 29 in Tokyo to follow up on 1990 agreements to reduce barriers to trade and investment.

The senior officials' meeting is to produce the second annual report on progress in implementing the so-called Structural Impediments Initiative (SII) agreements, which include Japan's pledge to spend 430 trillion yen on public works over 10 years.

Bush Announcement on Plutonium, Uranium Welcomed

OW1407031492 Tokyo KYODO in English 0303 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—Japan on Tuesday welcomed U.S. President George Bush's announcement Monday that the United States would no longer produce plutonium or highly enriched uranium in an effort to discourage the proliferation of weapons of mass destruction.

The Foreign Ministry said in a statement that the move has great significance for the nuclear disarmament process. The ministry called on other nations to follow suit in stopping production of bomb-grade materials.

The statement said Japan also welcomed the overall set of principles set forth by Bush to guide America's nonproliferation policy in the years ahead.

Bush's initiative also included a number of proposals to strengthen the international community's ability to discourage, or take actions against, individuals or entities contributing to the spread of weapons of mass destruction and the technology and missiles that deliver them.

It said actions could include U.N. Security Council embargoes or inspections, extradition agreements, or immigration restrictions."

The Japanese statement said Japan stands ready to cooperate with the U.S. and other countries in strengthening the nonproliferation regime for weapons of mass destruction.

Business Meeting Ends With 'Symbiosis' Pledge

OW1407103492 Tokyo KYODO in English 1014 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—Japanese and U.S. business executives concluded their annual gathering Tuesday with a firm resolve to promote a symbiotic relationship for prosperity on both sides of the Pacific.

With Japan's trade surplus seemingly set to reach a historical high of 100 billion dollars this year, more than 200 prominent business figures attending the three-day Japan-U.S. Business Conference agreed the time has come for both countries to harmonize their economic systems.

"There must be harmonization of systems" as there is a "fundamental mismatch" between the Japanese and U.S. economic systems, which hampers the trimming of the bilateral trade gap, said Joseph T. Gorman, president of TRW Inc.

Speaking at the close of the conference, Gorman said that if both nations stay on their current path of rising trade deficits, they are headed for a serious breakdown.

To avert this, he said, both need to take the turn toward significant and measurable actions to develop free and fair trade, which means that Japan will change to be more like other countries, and vice versa.

"We have a choice. We face either breakdown or breakthrough," he said at a press conference after the meeting.

Gorman, who succeeds John C. Marous, the former chairman of Westinghouse Electric Corp., as the head of the U.S.-Japan Business Council, said the meeting was a "significant turning point in the relationship between Japan and the U.S."

He said Japanese colleagues finally came to realize that problems do exist, reversing their reluctance to admit them.

In the latest meeting, the 29th of its kind, the Japanese delegation pledged stronger actions to bring down the country's trade surplus with the United States, which ran at 43.4 billion dollars last year.

Gaishi Hiraiwa, chairman of the Federation of Economic Organizations (Keidanren), said in a keynote speech on Tuesday that Japan will make "every possible effort" to improve foreign access to the Japanese market.

Eishiro Saito, honorary chairman of Keidanren and head of the Japan-U.S. Business Council, also said Japanese businesses, together with their U.S. colleagues, will move "step by step," no matter how time-consuming, to go straight to the roots of the problems, analyze them, and resolve them eventually.

As concrete steps toward the goal of "symbiosis," the meeting agreed on a few measures, including setting up task forces to address problems, for instance in the service area, government procurement, and direct foreign investment.

Progress made at the task forces will be measured from time to time through regular reporting.

The planned task forces are intended to respond to complaints from U.S. business leaders about limited access to the Japanese market. In the Japanese service sector, for instance, foreign firms account for only a 2.2 percent share of the 200 billion dollar market.

The U.S. side expects the service-sector task force to help boost the foreign share to "a more commonly accepted 20 percent."

The business leaders also ruled out the possibility that the "symbiotic relationship" may imply managed trade or trade restrictions.

Marous said, "We do not favor managed trade. We do not talk about trade restraint at all."

The next bilateral business conference will take place in Cleveland, Ohio, in July next year.

U.S. Firm Protests Computer Supplier Selection

OW1407115192 Tokyo KYODO in English 1129 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—Cray Research Inc. of the United States has complained to the Japanese Government that the selection of a supercomputer supplier by the Education Ministry in late June was unfair, the government spokesman said Tuesday.

Chief Cabinet Secretary Koichi Kato told a press conference that Cray lodged an official protest over the ministry's selection of a supercomputer for the National Institute for Fusion Science.

Japan's NEC Corp. and Cray tendered to supply the supercomputer, and NEC was awarded the contract in late June.

Under a Japan-U.S. agreement of May 1990, which refers to Japan's market opening for U.S. supercomputer makers, any company can lodge a protest with the Japanese Government. Cray is the first to file such a complaint, government sources said.

Upon receiving the complaint, a government procurement screening committee should announce the results of its investigation within 90 days, the sources said.

Lack of Interest in U.S.-Japanese Studies Noted

OW1307084592 Tokyo KYODO in English 0807 GMT 13 Jul 92

[Text] Tokyo, July 13 KYODO—A government-funded center promoting research to improve Japan-United States relations reported Monday a surplus in grant money because of a lack of applications from Japanese researchers.

Junetsu Komatsu, the deputy executive director of the Japan Foundation Center for Global Partnership, said the center, which was established more than a year ago, still had money left over from its annual grant quota of 3.4 billion yen.

The center was established in April, 1991 with grants of 40 billion yen from the government and 10 billion yen from its parent body, the Japan Foundation.

Its main functions are the distribution of research assistance money for nonprofit organizations and the disbursement of research grants known as abe fellowships, in memory of the late Foreign Minister Shintaro Abe, also a former Liberal Democratic Party secretary general, who originally suggested the concept for the center.

Komatsu said only six of the 15 fellowship recipients decided in May were Japanese, while the second round of applications which closed in January numbered 128 from the U.S. and 44 from Japan.

Komatsu said he is hoping more Japanese will show an interest in submitting applications for support with research projects.

"Perhaps there's a lack of talented people and organizations in Japan seeking to conduct international exchange at a grass roots level," he said.

Effect of Sakhalin Governor's Statement Viewed

OW1207024692 Tokyo KYODO in English 0221 GMT 12 Jul 92

[Text] Moscow, July 11 KYODO—Sakhalin Gov. Valentin Fyodorov issued a statement Saturday ruling out his participation in any talks on the return to Japan of four Russian-held islands off Hokkaido, according to the ITAR-TASS News Agency.

ITAR-TASS quoted the statement as saying that the "southern Kuril Islands" are Russian territory and will remain under Russian jurisdiction. The "southern Kuril Islands" are how Russia refers to the territory claimed by Japan.

The islands seized by the former Soviet Union at the end of World War II now belong to the Russian Far East province of Sakhalin.

Fyodorov also said that as head of the Sakhalin provincial government he cannot join in any discussions on the territorial issue, saying such talks are an affront to Russian dignity.

Japan is hoping for a breakthrough in its decades-old territorial dispute when Russian President Boris Yeltsin visits Tokyo in September.

Japanese officials, however, fear that Fyodorov's statement may have an adverse effect on Japan-Russia territorial negotiations, according to informed sources.

Visa-Free Group Returns From Northern Islands

OW1307092292 Tokyo KYODO in English 0835 GMT 13 Jul 92

[Text] Nemuro, Hokkaido, July 13 KYODO—The second group of visa-free Japanese travelers to the Russian-held island of Kunashiri, one of four islands claimed by Japan off Hokkaido, completed a three-day visit and returned home Monday.

The 45-member group, including 23 former residents of Kunashiri, returned to Hanasaki port on the 352-ton cruise ship Coral White.

The visa-free visits were agreed upon by Tokyo and Moscow in October 1991, with the first group of Japanese nationals to visit Kunashiri making the trip in May.

The second group, including some Hokkaido Prefectural officials, met with the chairman of the South Kuril region M.I. Tereshko and helped celebrate "Fisherman's Day" in Kurilsk, known in Japanese as furukamappu.

Kanemaru Doubts Russian Stance on Islands Issue

OW1407101092 Tokyo KYODO in English 0950 GMT 14 Jul 92

[Text] Oita, July 14 KYODO—Powerful conservative politician Shin Kanemaru called Russia a "liar" Tuesday and criticized its stance on the longstanding territorial dispute with Japan.

Kanemaru, vice president of the ruling Liberal Democratic Party (LDP), expressed doubt over Russian President Boris Yeltsin's proposal for a five-stage approach to resolving the issue of the four islands, which were seized by the former Soviet Union at the end of World War II.

He said that under the proposal the dispute could not be solved even 50 or 60 years from now.

Kanemaru made the remarks in a speech in Oita, where he was campaigning for the July 26 House of Councillors election.

Without the return of all four islands, the Japanese public will not want to provide assistance to the former Soviet republics, Kanemaru said.

He also said he himself would not want any economic aid to be extended if no progress is made in the territorial dispute when Yeltsin visits Japan in September.

"The former Soviet Union is a liar and I don't know how much Japan has been cheated," he said. "It would be like throwing away money in a ditch."

The dispute involving the four islands off Hokkaido—Kunashiri, Etorofu, Shikotan and the Habomai islets—has prevented Japan and the former Soviet Union from concluding a peace treaty.

Foreign Minister Watanabe Resumes Duties 13 Jul

OW1307100192 Tokyo KYODO in English 0940 GMT 13 Jul 92

[Text] Tokyo, July 13 KYODO—Foreign Minister Michio Watanabe resumed his official duties Monday after 43 days of hospitalization, saying he plans to take things easy until recovering fully.

Watanabe, also deputy prime minister, told reporters upon his return to the office that he is feeling well, though his legs are a bit weak from his long period in bed.

The leader of the ruling Liberal Democratic Party's third-biggest faction was widely considered a leading contender to become the next prime minister before falling ill on May 31. He underwent a gallstone operation June 9.

Watanabe, walking on his own and speaking in a clear voice, said his experience in the hospital prompted him to change his "philosophy of life."

Prior to returning to the Foreign Ministry, Watanabe visited with Prime Minister Kiichi Miyazawa, who formally assumed Watanabe's duties during the minister's absence.

Watanabe then attended a celebration at the Foreign Ministry to commemorate its founding and later returned to Tokyo women's medical college hospital, from which he will commute to work until given a clean bill of health.

Chief Cabinet Secretary Koichi Kato told reporters that the government will have to monitor Watanabe's recovery before deciding whether he can travel to Moscow for important bilateral talks ahead of President Boris Yeltsin's visit to Japan in September.

Intends To Visit Russia in Aug

OW1407043792 Tokyo KYODO in English 0324 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—Foreign Minister Michio Watanabe expressed his intention Tuesday to visit Russia in late August but said a final decision will not be made for at least two weeks.

Watanabe, appearing at his first news conference since resuming his official duties Friday after six weeks in hospital, said that with regard to the prospective visit to Moscow, "that is the direction in which things are being considered."

But he added his diplomatic schedule will not be firmly fixed until after the July 26 House of Councillors election.

Watanabe has been expected to have talks in Moscow with Russian Foreign Minister Andrey Kozyrev prior to President Boris Yeltsin's scheduled visit to Tokyo in September.

The two countries' territorial dispute over a group of Russian-occupied islands off Hokkaido will top the agenda.

Earlier in the day, Watanabe, who underwent a gallstone operation June 9, attended his first cabinet meeting since his May 31 hospitalization.

Watanabe told reporters he will be commuting to the Foreign Ministry from Tokyo Women's Medical College Hospital until he is fully recovered.

Watanabe, who also serves as deputy prime minister, is the leader of the third-largest faction in the ruling Liberal Democratic Party.

Tokyo, Moscow Plan Research on Laser Physics

OW1107092392 Tokyo KYODO in English 0854 GMT 11 Jul 92

[Text] Tokyo, July 11 KYODO—Leading Japanese and Russian researchers will start joint laser-physics research combining Russia's theoretical prowess with advanced Japanese technology, officials said Saturday.

Officials of a Japanese research center affiliated with the state-run University of Electro-Communications said physicists from Russia's General Physics Institute in Moscow will come to Japan this fall to begin the joint research project.

With one or two Russian scientists invited to Japan each year for one-year stays, researchers from both institutes will conduct basic research for at least five years, using Russian fundamental theory and Japan's highly accurate equipment, they said.

Their work is to include measuring the interactions of laser energy and atomic nuclei.

They said the join effort also hopes to help Russia get international patents and conclude contracts with Japanese companies to boost Russia's cash-strapped scientific community.

The head of the Russian institute, Aleksandr Prokhorov, winner of the 1964 Nobel Prize in physics, sought the tie-up last year with the Japanese university, known as a top-class center in the field of high-output laser research.

Hiroshi Takuma, who heads the university center, said Russia's fundamental physics is among the best in the world but the environment for scientists is deteriorating, citing such problems as pay delays.

He said the university cannot afford large-scale assistance but will cooperate as much as possible.

Group To Recover Soldiers' Remains in Siberia

OW1407050492 Tokyo KYODO in English 0335 GMT 14 Jul 92

[Text] Niigata, July 14 KYODO—A Health and Welfare Ministry delegation flew out of Niigata on Tuesday for the Russian city of Khabarovsk to recover the remains of Japanese soldiers interned in the Soviet Union after World War II.

The delegation, which includes members of the ministry and relatives of the soldiers, will split into two groups after arrival to gather the remains in the provinces of Magadan and Chita in Siberia.

In October, the ministry organized the first postwar recovery of remains from the former Soviet Union in Chita province.

The latest delegation is the first in a five-year program starting this year to recover the remains.

The delegation will return to Japan on August 4.

The ministry said 7,510 of the 53,000 Japanese soldiers detained throughout the Soviet Union after the war died while in detention in the two provinces.

JAL Nagoya-Beijing Flight Service Approved

OW1407030292 Tokyo KYODO in English 0154 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—The Transport Council, an advisory body to the transport minister, Tuesday approved an application by Japan Airlines Co.(JAL) to operate regular flights between Nagoya and Beijing, officials said.

The Transport Ministry will give JAL authorization Wednesday to inaugurate the new regular service from August 3, the officials said.

JAL will fly 275-seat DC-10 jets on round-trips Mondays and Thursdays, they said.

JAL estimates average passenger occupancy at about 65 percent for the first year, putting the number of passengers at 37,000.

Ministry Spokesman Welcomes Rabin Government

OW1407071592 Tokyo KYODO in English 0637 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—Japan welcomed Israeli Prime Minister Yitzhaq Rabin's new Labor government Tuesday and urged Israel and Arab countries to work earnestly for peace in the Middle East.

It is Japan's "strong hope that all the parties concerned in the Middle East will continue to seriously strive for the realization of peace in the region through the ongoing peace process," said Foreign Ministry spokesman Masamichi Hanabusa.

He told foreign correspondents Japan places particular importance on direct bilateral negotiations between Israel and Arab states.

Hanabusa vowed that Japan would continue to engage in multilateral peace efforts to complement and support the bilateral track.

Rabin said before becoming prime minister Monday he is prepared to travel to Arab capitals at any time to talk peace. He also invited Arab leaders to Jerusalem.

The Labor Party won a landslide victory over hard-line leader Yitzhaq Shamir's Likud Party in a June 23 general election, returning the party to dominance for the first time in 15 years.

Rabin has called for an agreement within nine months on autonomy for the 1.75 million Palestinians living in the occupied West Bank and Gaza Strip.

New Aid to Burma Not Part of Agenda at Talks

OW1007161092 Tokyo KYODO in English 1018 GMT 10 Jul 92

[Text] Tokyo, July 10 KYODO—Parliamentary Vice Foreign Minister Koji Kakizawa will not offer to resume making new commitments of Japanese aid to Myanmar [Burma] when he visits Yangon [Rangoon] on Sunday, a Foreign Ministry spokesman indicated Friday.

"Its not likely that this visit will lead to a change in our position with respect to our assistance to Myanmar," Sadaaki Numata told foreign correspondents in a news conference.

The spokesman was referring to Japan's policy of continuing loan and grant aid projects, committed prior to the 1988 killings of pro-democracy demonstrators, as well as emergency relief assistance and other humanitarian aid.

In 1989, Japan broke with other major aid donors and resumed previously suspended aid to Myanmar but it has yet to start new projects. A substantial portion of some 135 billion yen in committed aid was in the pipeline at the time of the initial cutoff.

Numata said Kakizawa will likely be meeting in Yangon with Ohn Gyaw, the country's foreign minister, and Abel, who serves concurrently as minister for planning and finance as well as minister for trade.

The spokesman said the visit is taking place in light of a number of developments which have taken place in Myanmar since the last high-level visit there by a Japanese official. Japan's Deputy Foreign Minister Kunihiko Saito visited the country in December.

He noted that Gen. Than Shwe has since replaced Gen. Saw Maung as head of the ruling junta and that the junta and opposition members have begun a dialogue on the holding of a national convention to draw up Myanmar's first constitution in four years.

Yamagishi Wants Opposition Parties To Unite

OW1407062092 Tokyo KYODO in English 0602 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—Top Japanese labor leader Akira Yamagishi said Tuesday four opposition parties should unite against the ruling party in the House of Councillors after the July 26 upper house election.

"The Social Democratic Party (SDP), the Democratic Socialist Party (DSP), Rengo Sangiin, and the United Social Democratic Party (USDP) should form a single group in the upper house to fight the ruling Liberal Democratic Party (LDP)," said the head of the Japanese Trade Union Confederation (Rengo).

Yamagishi told reporters at the Japan National Press Club that if the Diet convenes for an extraordinary session this fall, the four parties need to form a single group in the upper chamber.

But the leader of the eight million-strong Rengo is skeptical about the idea of having Komeito, Japan's second-biggest opposition party, in the proposed four-party team.

"Komeito won't join such an alliance," Yamagishi said.

He reiterated his call for a merger of the SDP, the biggest opposition party, and the DSP, the No.4 opposition group. He said such a merger is not possible immediately but added time is limited.

The two parties clashed over last month's enactment of a law allowing Japan to send troops overseas for the first time since World War II, on U.N. peacekeeping missions.

The SDP, along with the Japanese Communist Party, fought the bill, arguing it violates the country's war-renouncing Constitution. The DSP joined the ruling party and Komeito in passing the legislation through both houses of the Diet.

Yamagishi said a two-party system, with both vying for power, would not be possible without SDP participation.

Rengo supports its affiliate, Rengo Sangiin, in the upper house. It is fielding 22 candidates and backing one independent in this month's election.

Prime Minister Discusses Economy, Other Issues

OW1407092892 Tokyo KYODO in English 0912 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—Prime Minister Kiichi Miyazawa said Tuesday he thinks the economy has weathered "the worst" of the current economic downturn and is in a "manageable" state.

Acknowledging that Japan is "experiencing difficulties" after the bursting of the speculative "bubble" economy, the country is now "getting out of the worst economic situation," he said.

"I am not optimistic, but the situation is sufficiently manageable," Miyazawa told a press conference at the Japan National Press Club.

Factors boosting Japan's economic growth include an accumulation of financial assets and low unemployment rate compared with European countries and the United States, he said.

Miyazawa said he is considering "orthodox" measures to boost the economy but said it seems meaningless to lower the already low official discount rate.

He said he is "negative" about calls for cutting income taxes, citing such problems such as finding new sources of funds.

Touching on politics, the prime minister said a law passed last month allowing Japan to send troops overseas for UN peacekeeping operations for the first time since the end of World War II has won the confidence of the Japanese people.

It is "a fine law following the spirit of the Japanese Constitution," Miyazawa said. "So I think it has already obtained public confidence," he said, adding that the election will not be a referendum on public confidence in the law.

Opponents of the law, arguing that it violates the war-renouncing Constitution, have vowed to make it a central issue in the campaign for the July 26 House of Councillors election.

The law allowing self-defense forces to join UN peacekeeping missions abroad was enacted last month in a rancorous Diet session.

Miyazawa's ruling Liberal Democratic Party and the centrist Komeito and Democratic Socialist Party enacted the law over the protests of the largest opposition force, the Social Democratic Party, the Japanese Communist Party, and minor opposition groups.

Polls have found the Japanese public split on the law.

Miyazawa said leaders of seven major industrial nations at this month's summit in Munich welcomed the peacekeeping cooperation law as showing a change in Tokyo's diplomatic attitude from "cash diplomacy" to a willingness to "sweat" alongside other nations.

He said a longstanding territorial dispute with Russia is not easy to resolve considering factors such as Russia's economic conditions.

Miyazawa, who won a brief reference to the dispute in the summit political declaration, said he had wanted to make clear that Japan's claim to four Russian-held islands off Hokkaido is based on international understanding and is not just a bilateral problem.

Japan cannot extend full-scale assistance beyond humanitarian or technical aid until Russia and Japan, which have never signed a postwar peace treaty, normalize relations, he said.

Tokyo demands the return of Kunashiri, Etorofu, and Shikotan islands and the Habomai islets, which were seized by the Soviet Red Army at the end of World War II.

Land Purchases To Stimulate Economy Proposed

OW1007161192 Tokyo KYODO in English 0958 GMT 10 Jul 92

[Text] Tokyo, July 10 KYODO—A senior Trade Ministry official proposed Friday that the government purchase unsold property held by banks and real estate firms for use in public works projects.

The official, who declined to be named, said unsold land held by banks and realtors following the collapse of the bubble economy is a factor behind the current economic slump.

The government's purchase of real estate for public works projects would increase the circulation of funds and help stimulate the flagging economy, the official said.

He added that spurring land and stock transactions is necessary along with measures to boost domestic demand.

Ozaki Opposed to Additional Economy Pump-Priming

OW1407114692 Tokyo KYODO in English 1110 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—Vice Finance Minister Mamoru Ozaki indicated opposition Tuesday to increasing pressure on the government to take additional measures to stimulate the domestic economy.

Speaking at a seminar of business leaders at the summer resort of Karuizawa, Ozaki said stimulant measures taken during the previous economic slump caused by the yen's steep appreciation triggered the so-called "bubble" economy.

Comparing the 1986 and 1987 economic slump with that of today, Ozaki noted that the level of the official discount rate today stands at a low level and the front-loading rate of public works expenditures is higher today than before.

In a six-point package of economy-stimulating measures adopted in March, the government decided to appropriate 75 percent of outlays set aside for public works projects in the first half of fiscal 1992.

Ozaki said the government has already taken enough measures to revitalize the domestic economy.

Referring to a new 6-7 trillion yen economic package sought by the ruling Liberal Democratic Party in late

June, Ozaki said no concrete figures have been studied by the Finance Ministry yet.

The Finance Ministry has won the understanding of the ruling party tht it would be premature at this stage to decide on the size of a supplementary budget.

Hata Views Income Tax Cut, Trade Surplus

OW1407032592 Tokyo KYODO in English 0317 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—Finance Minister Tsutomu Hata expressed skepticism about cutting income tax as a means to stimulate the economy Tuesday, citing fiscal restraint and doubts about the effects of such a move.

Hata told a news conference after a regular cabinet meeting that the level of Japanese income tax is by and large "reasonable."

"If you look at the (falling) tax revenue trend, it is undoubtedly not the time for income tax cuts," he said.

Hata also said income tax reductions are less effective as an economic stimulus than tax incentives for corporate capital investment, which are also being advocated.

Tax incentives for investment would naturally lead directly to greater investment by companies, while income tax cuts would not necessarily lead directly to a rise in consumption, he said.

Opposition parties and some business leaders have been calling on the government to reduce income tax.

Hata also expressed skepticism toward reviewing or scrapping the land value tax, arguing that land prices have not yet fallen sufficiently.

"Land prices have fallen noticeably from the peak but are still at high levels," Hata said. He said the newly introduced land value tax still has a role to play in lowering land prices.

Hata emphasized that the issue should in principle be discussed by the Tax Commission, an advisory panel to Prime Minister Kiichi Miyazawa.

Some politicians in the ruling Liberal Democratic Party are already calling for a review of the tax, which was introduced at the start of 1992.

On the comment by a senior U.S. official Monday that Japan should further increase its planned public works spending, which is to amount to 430 trillion yen over the next decade, Hata said it is a matter that Japan should decide on its own.

Hata said the government will decide on the issue taking account of fiscal factors and the conditions of the nation's infrastructure.

Olin Wethington, assistant secretary for international affairs at the Treasury, indicated in Washington on Monday that Japan should beef up the 10-year spending plan in order to rectify the trade imbalance between the two countries.

Hata stressed the importance of boosting domestic demand to increase imports, thereby reducing Japan's resurging trade surplus.

The Ministry of Finance reported Monday that Japan's trade surplus in the first half of 1992 hit a record 49 billion dollars.

Hata said Japan will respond "in a flexible manner" to any U.S. proposals, including those concerning public works, that are made in the high-level follow-up meetings to the Structural Impediments Initiative (SII) talks scheduled for late July.

Front-Loading of Public Works Spending Delayed

OW1407051092 Tokyo KYODO in English 0403 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—The front-loading of the scheduled 1992 public works spending in the first half of the current fiscal year is not being implemented smoothly, Takeshi Noda, head of the Economic Planning Agency, said Tuesday.

The front-loading is part of the pump-priming measures adopted by the government for fiscal 1992 which started April 1.

Noda told reporters after a regular cabinet meeting that while orders for public works have been issued early, the start of actual work has been delayed in some cases.

He has asked that fellow cabinet members expedite the start of construction work.

Noda said delays in public works construction could affect a drafting of the fiscal 1992 supplementary budget.

Small Companies Reportedly Suffer Sales Drops

OW1307115192 Tokyo KYODO in English 1135 GMT 13 Jul 92

[Text] Tokyo, July 13 KYODO—Japan's small companies suffered sales declines in the April-June quarter, a nationwide survey conducted by People's Finance Corp. said Monday.

The survey of 6,208 small corporations, conducted on June 10, assigned the manufacturing sector a minus 25.4-point sales indicator, the worst on record.

The April-June figure, computed by subtracting the percentage of companies with lower sales from those logging sales increases, was down from the minus 20.8 points for the previous three months.

"Sales drops this time seem serious from the viewpoint that sales performance had been sound until quite recently," an official at the institute said. "Sales by small companies are seen to bottom out as early as after October."

The casting and metal product industry registered a minus 55.9-point sales indicator, the general machine tool industry minus 57.1 points, and precision instruments minus 70.7 points, the institute said.

The outlook for the July-September quarter in the manufacturing business worsened to minus 31.9 points, the institute said.

Ministry To Ease Restrictions on Samurai Bonds

OW1407081492 Tokyo KYODO in English 0727 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—The Ministry of Finance (MOF) is expected to ease restrictions on issuance in the Japanese bond market of debt securities by non-Japanese issuers in order to boost recycling of the capital to developing countries, sources at the ministry said Tuesday.

The MOF will allow foreign borrowers with credit ratings of triple-B to issue yen-denominated bonds, known as samurai bonds, for public subscriptions in the Japanese market without a government guarantee, the sources said.

The looser restrictions will be put into effect probably in August, they said.

The MOF hopes the step will lead to larger issuance of samurai bonds by issuers of developing countries that do not have high credit ratings, like local governments in such countries as India and Hungary, they said.

In a similar step, the MOF in June last year eased restrictions on foreign issuers, granting access to the samurai bond market to triple-B borrowers on condition that they have obtained a government guarantee.

Issuers had previously been confined to those with at least a single-A rating.

The samurai bond market, however, remained sluggish, with only 26 issues totaling 691 billion yen in fiscal 1991, down from 76, totaling 1.36 trillion yen in fiscal 1990.

Behind the move is the fact that Japan's long-term capital flows turned to a surplus of 5.37 trillion yen in fiscal 1991, from a 2.82 trillion yen deficit in the previous year.

A government advisory panel recommended in May last year that the standards for issuers of samurai bonds be eased as a way to activate recycling of the capital to developing countries.

The MOF is also considering loosening the restrictions on private placement of yen-denominated foreign bonds, the sources said.

EPA Reports Rise in Private Machinery Orders

OW1407074892 Tokyo KYODO in English 0715 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—Private machinery orders rose 1.6 percent in May from the month before to 959.6 billion yen, the Economic Planning Agency said Tuesday.

The seasonally adjusted figure, excluding volatile orders placed by electric power companies and those for ships, serves as a leading indicator for capital spending, predicting industry spending on plant and equipment for about six months ahead.

May's rebound was "weak," an agency official said, as the level remained almost the same as that of the previous month.

April orders had dropped a hefty 26.4 percent after three consecutive monthly advances. The official said the April drop reflected the one-time factor that most corporations had ordered machinery and equipment by the March 31 end of the last fiscal year.

Overall machinery orders in May dropped 13.1 percent from April to 1,859.7 billion yen, falling below 2 trillion yen for the first time since February 1989, the agency said.

All private orders, including those for ships and from electric power companies, declined 12.6 percent to 1,095.0 billion yen.

Those from the manufacturing sector, including the automobile, food, coal and petroleum, and machinery industries, rebounded 8.1 percent from April, when it marked a 35.3 percent decline.

May orders from manufacturers amounted to 434.3 billion yen and those from the nonmanufacturing sector came to 529.8 billion yen, down 2.9 percent.

Orders from electric power companies plunged 53.4 percent from April, when utilities boosted investment in nuclear power stations, agency officials said.

Overseas orders fell 18.3 percent to 368.8 billion yen, due largely to lower machinery orders from Southeast Asia.

Orders placed by the public sector advanced 2.3 percent to 281.7 billion yen, they said.

TSE Fines Brokers for Unfair Compensation

OW1407114792 Tokyo KYODO in English 1043 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—The Tokyo Stock Exchange (TSE) has imposed a fine of 5 million yen on each of three Japanese second-tier brokerage houses as a penalty for compensating favored clients, TSE officials said Tuesday.

Kankaku Securities Co., New Japan Securities Co., and Dai-Ichi Securities Co. wrongly paid compensation totaling 9.8 billion yen to favored clients for trading losses between April and June last year, the TSE said.

Kankaku gave 1,004 million yen to 17 favored clients, New Japan 1,538 million yen to 11 clients, and Dai-Ichi 7,256.0 million yen to 18.

The unfair transactions were revealed in a recent inspection by the Ministry of Finance for fiscal 1991, which ended March 31.

The ministry has been conducting investigations into trading by second-tier securities firms since November last year when it finished investigating the "big-four" securities companies—Nomura, Daiwa, Nikko, and Yamaichi.

The TSE also said four executives of Kankaku, New Japan, and Dai-Ichi have resigned and payment for 21 company executives have been cut back.

In May, the ministry recommended the three brokers take such in-house punitive actions after finding out about the unfair compensation, TSE officials said.

Kankaku, New Japan, and Dai-Ichi had already announced in June 1991 that they had conducted similar unfair stock trading in fiscal 1990.

Although clients receiving special treatment from the brokerages have not yet been named, most of them are likely to be corporate investors, not individual ones, financial sources said.

For compensating clients for losses, the brokerage houses used profits obtained from such financial instruments as futures and options. The brokerage also bought back warrants from clients after making profits, they said.

Up to September last year, a total of 170.0 billion yen had been paid in compensation by the big four securities firms and 43.7 billion yen by 13 second-tier houses, they said.

MITI To Review Intellectual Property Law

OW1407115392 Tokyo KYODO in English 1117 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—The Ministry of International Trade and Industry (MITI) said Tuesday it plans to overhaul the existing law to prevent unfair competition with a view to protecting intellectual property.

Ministry officials noted that the present law enacted in 1934 is outdated because it has no provisions for protection of intellectual property, including designs, ideas, and services, from imitation and copying.

They said the development of copying technology has made it easier to manufacture imitations and copied products.

The ministry's plan is in line with the Uruguay Round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT) aimed at ensuring protection of intellectual property, the officials said.

They said the ministry plans to submit a revised law to the next regular session of the Diet for approval.

Global Partnership at Nongovernmental Level

922A0283A Tokyo TSUSAN JANARU in Japanese May 92 pp 19-20

[By Yotaro Onakata, Matsushita Electric Industry International Cooperation Promotion Section councilor]

[Text] Recently, the expression "borderless economy" has appeared frequently in the newspapers. These are words tht, in the final analysis, merely express one aspect of the changes in our era when seen from the perspective of people like myself, who are on site at places of corporate activity. There are tariffs, and even in overseas production activities, there are many rules concerning foreign investment. Therefore, we have economic friction and the reason for the Uruguay Round.

The heights of the walls of the borders have been lowered continuously due to mutual cooperation and the efforts of the various nations after World War II. Trade and commerce have expanded as a result, and Japanese companies have developed and been the biggest beneficiaries. Will this free economic flow bring us a truly borderless economic society? When I see the ground swell of new ethnicism and the movements toward economic blocks, I get the feeling that this borderless economy is a remote dream.

International society, which is the collection of sovereign states, is a world of colliding political, economic, and, in the end, national egos. For example, even when they say "for the sake of the world," there cannot be a complete sacrifice of the interest of one's own country. We have to establish a new management style for Japanese companies while continuing to stare at this reality straight on amidst movement for the construction of a new world order.

Whether it be exporting manufactured goods to one country, or producing locally in that nation, in the end we are getting them to allow us to do business in "someone else's garden." If, on account of this business activity, the homeowner of that house should fall into an extremely difficult situation, there probably would be nothing we could do if he said "please leave." If that house were the United States or the EC and because it is clear that Japanese companies would not exist without the business there, there is no other way than to do business somehow or other so as not to have them say "get out."

We believe the concept of "business global partnership," which has as its ideal the symbiosis with industries and companies in these other nations, was fundamentally the right choice in this sense, whether as a nation or as a corporation.

In the case of our company, ever since the founding our business, we have held consistently to the management ideals of making a contribution to the development of culture and society through the development of electrical products, their manufacture, and sales. We have continued our activities until the present with a standard of conduct that calls for coexistence and co- prosperity with those with whom we have relationships. Especially as the boundaries of those activities have expanded to the entire world, we have come to operate overseas businesses with the first principle of contributing to those nations' societies and have promoted the "localization" of overseas production and sales activities.

Furthermore, Japanese trade surpluses have expanded. We set up an "import promotion committee" within our company and strengthened our import expansion activities company-wide in 1986 as an acceptance of the Ministry of International Trade and Industry (MITI) call for an expansion of imports. In 1989, we developed our own independent "international cooperation action plan," which was folded into one part of our line organization business activities. We also grappled with "expansion of imports" and "expansion of overseas production."

Thus, this time, following the "business global partnership concept" presented by MITI, we added "promotion of local procurement" and "industrial cooperation" to the "international cooperation action plan," and furthermore raised our 1993 import targets with the "Matsushita Electric Business Global Partnership Plan." We are currently conducting activities that should develop positively and strengthen even more the struggle for international cooperation.

Even if you can understand the thinking of "business global partnership," the reality is that it is hard to implement this at the scene of real corporate activities.

Corporations traditionally are profit organizations that seek economic rationality. "Business global partnerships" have many aspects that are in agreement with the pursuit of economic rationality over the long term, but costs are greater than one might expect. Seen in the short term, there are many aspects that run counter to economic efficiency.

What is to be feared is "agreement on the general theory, but opposition to the specifics." For enterprises involved in heavy competition, the costs of realizing a "partnership," if there are competitors who do not have to bear such costs, are not something they can manage at all. Nevertheless, there is a fear of running into problems with the antimonopoly law if you try to deal with competition on an industrial base. And, competition is not limited to other Japanese corporate competitors. It is troublesome because there are cases in the NIE's [newly industrialized economies] and ASEAN nations where two parties were played off against each other. It is extremely unclear as to how much business the counterpart generally will be satisfied to allow you to conduct n his "garden." Furthermore, this has to be promoted without the companies being able to calculate the actual costs since the limits tend to be selfishly decided. The entire process ordinarily is accompanied by uneasiness. There is also a fear that the demands of the counterpart nation's industry will escalate, and the expectations for the efforts of governments and the administrative authorities are great in respect to creating new international commercial practices.

In "Global partnership" a mutually beneficial support relationship is fundamental, and in a private enterprise that pursues economic rationality, continually paying out of one's own pocket in a one sided relationship has no likelihood of continuing for long. Furthermore, Japan is not necessarily strong in whatever field it enters.

Japanese companies that are tops in production technology power are preeminent only by a little in the aspect of production life-cycles. If one believes we can unilaterally and benevolently support the industries in the correspondent nation, that is likely conceit on our part.

The Kansai Financial Seminar started the other day. Wohlers, the head of the American Center in Osaka, countered the Japanese side's statement: "Even if the American automobile industry tried to invest in Japan, in the past, Japan had all kinds of restrictions and did not do anything for free trade, but only received its benefits." Leaving aside whether the contents of this statement are right or wrong, the imbalance in trade between Japan and the United States is not only the result of policies and the various present systems, but is an indication that it is the accumulation of the results of many acts from the past. If you turn this around, then it means that you can say that it took a very long time for the visible results to appear. But, in spite of that, in the situation at present, the political expectations of the correspondent nation come first, and I am apprehensive that too much weight is being given to pursuing short-term results.

It is very important to deal with the tendency of the correspondent nation to excessively make political problems out of the change in these results, with the danger as great as it is of mistakenly applying a resolution policy that exchanges the true substance of the problem for something else.

Above, I have spoken about some problem points in effecting "global partnership" from the perspective of a private sector corporation. Mutual cooperation and self reliance are important, but there are also many places where we have to borrow the strength of the government and administrative authorities for the resolution of these themes in its promotion.

For example, similar to the resolution of the problem of shortening the hours of labor, it is extremely important for the cost of promoting "global partnership" to be accepted by both society generally and by the economic community as a precondition for corporate management. That private sector corporations will make efforts is naturally to be expected, and I certainly want to ask for political support in creating that environment.

While there are still many unresolved questions, we are certainly promoting the idea of "global partnership" one step at a time. It seems to contradict the argument of looking squarely at the reality of "business in another's back yard" that was mentioned at the top, but on the road to the formation of a global nation where the whole world will operate as one economic sphere, we probably have to continue to make unceasing efforts to lower and eliminate economic borders because there are many cases where the economy precedes politics.

Furthermore, I will increase my resolve to promote international cooperation if the promotion of "global partnership" through a reconciliation with the rules for international competition coincides with the road to being a great nation for daily life where the people of Japan can enjoy affluence.

Yoshino Named Governor of Development Bank

OW1407050792 Tokyo KYODO in English 0410 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—Former Vice Finance Minister Yoshihiko Yoshino will replace Gen Takahashi on Wednesday as governor of the Japan Development Bank, government officials said Tuesday.

Yoshino, 61, currently heads the People's Finance Corp. Sadaaki Hirasawa, also former vice finance minister, will succeed Yoshino's post.

Hirasawa is an advisor to the Finance Ministry's Institute of Fiscal and Monetary Policy.

Half of Local Governments To Start 5-Day Week

OW1307091392 Tokyo KYODO in English 0832 GMT 13 Jul 92

[Text] Tokyo, July 13 KYODO—One in two local government offices will introduce a five-day workweek by the end of next March, according to a survey released by the Home Affairs Ministry Monday.

The survey quoted 49 percent of the municipal, town, and village offices as saying they are scheduled to introduce the five-day workweek system by the end of March 1993.

The ministry conducted the survey, which covered 3,259 local government offices as of June 20 this year, as part of efforts to trim 2,008 annual working hours in fiscal 1991 ended last March.

Asked about reasons for the delay in the introduction of the system, some 27 percent not adopting the system by the end of next March pointed the slow adoption of the five-day workweek by private firms.

Another 21 percent said they are not introducing the system by next March 31, because it would hinder public services for local residents.

On an amendment on an ordinance to implement the five-day workweek system, 63.2 percent were quoted as saying they will make a proposal in their assemblies to do so.

Prefectures, municipal, town, and village government offices in Aomori, Yamaguchi, and four other prefectures will propose to their assemblies by the end of fiscal 1992 in March next year in order to amend ordinances to introduce the five-day workweek system.

Over the last four years from 1988, the Japanese Government has called on public and private sectors to cut annual working hours to 1,800 hours to achieve affluent life in the true sense of the word. Annual working hours in the United States, Britain, Germany, and France currently average about 1,500-1,950.

Foreigners To Work on 256-Megabit DRAM Chips

OW1107120192 Tokyo KYODO in English 1119 GMT 11 Jul 92

[Text] Tokyo, July 11 KYODO—Toshiba Corp. of Japan, International Business Machines Corp. (IBM) of the United States, and Siemens AG of Germany have agreed to jointly develop 256-megabit dynamic random access memory (DRAM) chips, industry sources said Saturday.

The agreement will be officially announced Monday, the sources said.

The 256-megabit DRAMs will be used for next-generation computers.

Toshiba has tied up with IBM in the field of "flash memories," while IBM has been undertaking joint development of 16-megabit DRAMs with Siemens.

Flash memories are electrically erasable programmable read-only memories. Unlike random access memories, flash memories retain data even after power is cut off and do not require a battery backup.

The latest deal among the three electronics giants is aimed primarily at enhancing their development capabilities and sharing large development costs for 256-megabit DRAMs, the sources said.

Currently, four-megabit DRAMs are the mainstay microchip in the semiconductor market.

Toshiba, IBM, and Siemens, employing 256-megabit DRAMs, will aim to develop high-performance, compact computer models, the sources said.

Firm Develops Single-Chip 'Artificial Retina'

OW1407124592 Tokyo KYODO in English 1204 GMT 14 Jul 92

[Text] Tokyo, July 14 KYODO—Mitsubishi Electric Corp. said Tuesday it has developed a single-chip "artificial retina" device capable of processing images more than 100 times faster than the conventional device operated by electric charge.

The new device will be used for sensors in industrial or "guide dog" robots in the future, the electronics maker said.

The artificial retina chip combines 4,096 photosensitive gallium-arsenide elements on a 1.4-square-centimeter substrate to convert light into electric signals, researchers at Mitsubishi Electric said.

The function of the chip is similar to that of the human retina, the sensory membrance lining the back of the inside of the eyeball, which combines signals from many photosensitive receptors and sends them to the brain by the optic nerve.

Mitsubishi plans to increase the number of photosensitive elements, eventually integrating up to one million, which would pave the way to practical use, the researchers said.

Mongolia

Byambasuren Supports Political, Economic Reforms

LD1107112192 Moscow Radio Moscow World Service in English 0700 GMT 11 Jul 92

[Text] Mongolia will accelerate its efforts to reform the economy and promote international ties. The prime minister, Dashiyn Byambasuren, underscored this resolve at a meeting held in Ulaanbaatar yesterday to celebrate 71 years of the peoples' democratic revolution in Mongolia. Mr. Byambasuren noted that the current reforms had taught the Mongol people to search for their own way to develop despite major shortages of food, fuel, and medicines.

German Minister Promises Support for Reform

LD1207215992 Berlin ADN in German 1653 GMT 10 Jul 92

[Text] Ulaanbaatar (ADN)—Helmut Schaefer, minister of state at the Foreign Ministry, has given an assurance of Germany's support for the process of democratizing both the state and society in Mongolia. Schaefer, who is the first representative of the federal government to visit Mongolia, met Prime Minister Dashiyn Byambasuren and Foreign Minister Tserenpiliyn Gombosuren in Ulaanbaatar today.

The Mongolian prime minister expressly welcomed the development aid of 50 million German marks provided by the Federal Republic since 1991. This places Germany at the top of European donor countries. There will be further talks on specific projects, particularly the sending of German experts, during a visit by Federal Minister (for Economic Cooperation) Carl-Dieter Spranger, in August.

Minister of State Schaefer described the strong interest in the German language in Mongolia, which is being cultivated by a number of Mongolians on scholarships in Germany, as a basis for intensive cultural cooperation.

North Korea

Daily Says Japan Evading Blame for Comfort Women

SK1407055392 Pyongyang KCNA in English 0437 GMT 14 Jul 92

["NODONG SINMUN Demands Thorough Probe Into 'Comfort Women' Issue"—KCNA headline]

[Text] Pyongyang July 14 (KCNA)—NODONG SINMUN today demands that the Japanese authorities clarify the real picture of the shocking crimes committed by the Japanese imperialists against Korean women in the past, sincerely apologize and make an adequate compensation for them.

In a commentary captioned "They Can Never Evade Responsibility for Crimes", the analyst says:

The results of investigation published by the Japanese Government as regards the problem of "comfort women for the Army" are quite nonsensical. They disclose less than one-one thousandth of the crimes of the Japanese imperialists. They were worked out to cover up the truth of the crimes for fear of public opinion. Not an iota of honesty is perceived there.

Pointing out that the Japanese Government in the results of investigation turned a blind eye to the responsibility of the old Japanese Government for the issue of the "comfort women for the Army", the commentary continues:

Drafting Korean women as sexual slaves for the Japanese "Imperial Army" was an organized heinous crime plotted by the then Japanese Government and executed by the military.

One can see from the telegram dated March 12, 1942, sent by the commander of the Japanese Army stationed in Taiwan to the then Japanese Prime Minister Hideki Tojo, that the prime minister had a hand in all matters down to the dispatch of the managers of the "comfort houses," according to the KYODO News Service of Japan. Not only one or two data prove that the Japanese emperor and government had a share in the "comfort women" issue.

The Japanese foreign minister said "Japan cannot help admitting that the then state involved itself" in the "issue of comfort women for the Army," and the chief cabinet secretary also admitted the responsibility of the state.

In the results of investigation, the Japanese Government tried to deny even this admission. In a nutshell, the

Japanese Government intends to evade its responsibility after creating the impression that it is interested in the solution of the "comfort women" issue with the results of investigation.

The Japanese Government announced that 127 items of materials mainly belonging to the period of the Second World War, which concern the old Japanese Army, were confirmed, but it was impossible to confirm how many Korean women were recruited as "comfort women for the Army" through what channels. This is a shameless self-deception.

Not a shred of sincerity and honesty to solve the "comfort women" problem can be found in the attitude of the Japanese Government.

It was not spontaneous that the Japanese imperialists took away Korean women as "comfort women for the Army" and reduced them to sexual slaves, but was an organized crime based on regulations including the rules of recruiting and using "comfort women."

Those who intend to cover up their crimes would stoop to any trick. But the trick employed by the Japanese Government authorities in the results of investigation is too clumsy.

Through the results of investigation, the Japanese authorities exposed to the world once again what sort of morality, conscience and reason they have.

With no ruse can the Japanese authorities conceal the barbaric crimes of the Japanese imperialists in forcibly taking away nearly 200,000 Korean women and committing unheard-of sex violations against them.

Housing Construction Stressed in North Hamgyong

SK1407103892 Pyongyang KCNA in English 1006 GMT 14 Jul 92

[Text] Pyongyang July 14 (KCNA)—Korea is directing big efforts to the housing construction this year, too, to provide the working people with better housing conditions.

North Hamgyong Province set itself a goal of completing houses for more than 17,000 families within this year and is pushing ahead with projects.

Houses for more than 13,000 families were completed or entered the final stage in the first half year.

In this period the provincial local construction and building materials general bureau successfully produced and supplied more than 34,000 tons of cement and large quantities of construction materials including steel and timber needed for the housing construction.

The housing construction is also making successful progress in other provinces through a mass movement.

South Korea

U.S. Nonproliferation Initiative Welcomed

SK1407100092 Seoul YONHAP in English 0947 GMT 14 Jul 92

[Text] Seoul, July 14 (OANA-YONHAP)—South Korea on Tuesday [14 July] welcomed U.S. President George Bush's non-proliferation initiative as "very timely" announcement that speaks for global interest.

"We welcome President Bush's announcement as a very timely initiative considering the recent deepening of regional conflict and global proliferation of weapons of mass destruction," a Foreign Ministry commentary said.

The announcement that the United States will not produce highly-enriched uranium or plutonium for nuclear weapons purposes matches our determination for nuclear-free Korea contained in the South-North Korean joint declaration of the denuclearization of the Korean peninsula, the commentary said.

"We hope that this will serve as an opportunity to contribute to preventing nuclear proliferation through speedy settlement on inter-Korean nuclear inspection regime," it said.

"South Korea will continue to actively participate in the world efforts for denuclearization of the Korean peninsula and non-proliferation of arms of mass destruction," it said.

N-S Red Cross Contact Yields No Results

SK1407064692 Seoul KBS-1 Radio Network in Korean 0515 GMT 14 Jul 92

[Text] North and South Korea held the fifth working-level Red Cross contact today in Panmunjom. Owing to the fact that the North Korean side again raised the nuclear issue and the case of Yi In-mo, North and South Korea failed to reach agreement. Correspondent Chong Chang-hun reports from the National Unification Board:

[Chong] Even though our side advanced a proposal for an amendment today, the North Korean side again raised the nuclear issue and the case of Mr. Yi In-mo, and warned that the exchange of visits may either be rescheduled or not facilitated unless these two issues are resolved in a satisfactory manner. This warning is noteworthy in that the North Korean side hinted for the first time at the possibility of a postponement of the visits of separated family members.

In today's contact, Yi Pyong-ung, our side's senior delegate, accepted many points of the North Korean side's proposal. He said that the South side would not insist that separated family members be allowed to visit their relatives' houses and their ancestors' graves or that artists, reporters, or support personnel, if they themselves are separated family members, be allowed to meet their relatives.

Delegate Yi also said that a list of 200 separated family members from each side must be exchanged in advance to form each list of visiting groups. He went on to say that our side cannot accept the North Korean side's proposal to exclude those who have criminal records from the visiting groups and to prevent reporters from slandering and defaming the other side while gathering news on the exchange.

In the meantime, the North side said that the ROK Government's merely negating its remarks—that resolving the nuclear issue is a precondition for implementing the North-South basic agreement—is not sufficient and that our government must release an official statement that annuls its remarks. It also said that the exchange of separated family members' visiting groups may not take place unless Mr. Yi In-mo's case is resolved.

In response, Delegate Yi said that in Prime Minister Chong Won-sik's 7 July letter, the South side stated that Yi In-mo's case can be resolved as part of a plan to repatriate separated family members who have been forcibly detained on the other side against their will, proposing that this matter be discussed in a separate meeting.

North and South Korea agreed to continue negotiations in the sixth contact on 20 July. However, given the North Korean side's demands, whether separated family members' visiting groups can be exchanged will be determined by the results of the seventh Joint Nuclear Control Committee scheduled for 21 July.

Plan To Expand Unification Board Finalized

SK1207111292 Seoul YONHAP in English 0700 GMT 12 Jul 92

[Text] Seoul, July 12 (YONHAP)—The government has finalized a plan to expand the organization of the National Unification Board in the face of expanding programs of inter-Korean talks and exchanges following the adoption of the basic South-North agreement earlier in the year.

The planned expansion, to be put into practice in a presidential decree, will affect the board's office of South-North dialogue and bureau of exchanges and cooperation.

The name of the office of dialogue will be changed to the office of South-North conferences and the office's dialogue operation department will be expanded into first and second conference departments.

First department will consist of political and military conference divisions, and second department socio-culture and economic conference divisions.

Besides, Exchange-Cooperation Bureau that handle civil petitions related to inter-Korean exchanges and cooperation will have an additional grade-3 cooperation officer and its existing two exchanges divisions will be enlarged into three.

A government official said Sunday [12 July] the expansion of these offices would require 47 additional officials.

Foodstuffs From China Encroach on Market

SK1407085492 Seoul THE KOREA TIMES in English 14 Jul 92 p 7

[Text] Food products processed in China with technology from South Korea have been encroaching slowly on the domestic market since bilateral trade officially began in 1988.

Noodle imports jumped 266 percent to 16.1 million dollars last year from 4.4 million dollars in 1990, the National Agricultural Cooperative Federation (NACF) said Tuesday [14 July].

Companies in China are hastening to produce the narrow noodles that Koreans like to capture more of the market, according to the Korea Trade Promotion Corp.

Choungsoo Food Industries Co. set up a joint-venture factory in Qingdao in May 1991 and transferred its noodle know-how. China is eager to learn how to make noodles to the taste of Koreans.

Bean paste, hot pepper paste and soy sauce are also likely to stampede into Korea in the near future as a few food companies are pushing for joint-venture factories in China, a NACF official said.

Imports of red pepper paste are restricted until the end of the year at NACF's 1988 request to rescue Korean manufacturers from a glut in domestic production and soaring imports.

Korea imported 1.1 million dollars of fermented soybeans from China last year, up 83 percent from 600,000 dollars in 1990, dealing a severe blow to the small Korean manufacturers.

"As part of the government's nordpolitik and moving low-value added industries abroad, farm product-processing technologies are being transferred to China," Han Ho-son, president of NACF, said.

He said that Korea should prepare for the boomerang effect caused by technology transfer to protect the livelihood of its 6 million farmers and the 1 million employees in the food processing industry.

Korea imported 780 million dollars of agricultural products from China last year, accounting for 17.5 percent of total farm imports of 4.46 billion dollars.

Trade, Industry Ministry on Trade Balance

SK1407063092 Seoul YONHAP in English 0244 GMT 14 July 92

[Text] Seoul, July 14 (YONHAP)—South Korea's trade deficit with European countries has ballooned in recent months, despite improvements with other major trading partners, the Trade and Industry Ministry said Tuesday [14 July].

Exports to Europe totaled 4.76 billion U.S. dollars during the first five months of the year, down 12.3 percent, while imports from the region soared 6.1 percent to 5.56 billion dollars from the same period a year earlier.

Korea's trade balance with the region turned around from a surplus of 180 million dollars in the same period last year to a deficit of 805 million dollars this year.

Exports to the European Community totaled 3.74 billion dollars, down 9.2 percent from a year earlier, while imports from the EC increased 2.6 percent to 4.23 billion dollars, for a trade deficit of 496 million dollars.

Korea's trade deficit with North American countries fell to 1.03 billion dollars for the first five months from 1.22 billion dollars a year earlier, while the trade deficit with Asian nations shrank from 2.8 billion dollars to 1.11 billion dollars during January-May.

Deficit in trade with Japan marked 3,489 million dollars, 320 million dollars less than a year earlier while that with the United States was 925 million dollars, down 164 million dollars.

Trade surplus with the Association of Southeast Asian Nations skyrocketed from last year's 1 million dollars to 384 million dollars. In trade with Latin American countries, South Korea enjoyed with a surplus of 465 million dollars, compared with last years 64 million dollars.

Foreign Investment Reportedly Down Jan-May

SK1407061892 Seoul YONHAP in English 0239 GMT 14 Jul 92

[Text] Seoul, July 14 (YONHAP)—Amid an overall decline of foreign investment in Korea, the U.S. share increased and Japan's dropped in the first half, according to a report released Tuesday [14 July] by the Finance Ministry.

Foreign investment in the first half dropped 20.7 percent in cases and 1.4 percent in sum, respectively, to 119 cases and 476 million U.S. dollars.

The report showed that United States made 35 investments worth 181 million dollars, 41.4 percent up from the same period last year, while Japan dropped 27.6 percent to 109 million dollars and Europe slipped 11.6 percent to 163 million dollars.

Since its 1988 record of 1.28 billion dollars, Korea has been losing foreign investment until last year, when Aramco invested 470 million dollars in Ssangyong Oil Refining Co.

Investment in Korean manufacturing industry dropped 32.3 percent in cases to 46 from last year's 62, but increased 21.1 percent in sum to 363 million dollars from 300 million dollars.

The chemical industry, and manufacturers of medicines, paper, and wooden articles drew conspicuous interest from foreign investors, the report said.

Investment in the service industry was off 17 percent to 73 cases from last year's 88 and 38.3 percent to 113 million dollars from 182 million dollars.

Foreign investment recorded a steep fall in trade, financial, and insurance businesses.

Industrial Bank Predicts Sluggish Third Quarter

SK1407045892 Seoul YONHAP in English 0224 GMT 14 Jul 92

[Text] Seoul, July 14 (YONHAP)—Medium- and small-sized manufacturing companies will experience continued sluggish business conditions in the third quarter of the year, but a slight improvement is expected in the fourth quarter, the Industrial Bank of Korea said Tuesday [14 July].

Domestic demand is likely to shrink in the second half of the year as construction and facility investments slow and the sales slump will drag on due to the price hike of major raw materials and wage hikes, it said, reporting on a business survey.

Many firms will continue to be plagued by lack of liquidity due to the government's strict control on the money supply for economic stabilization.

Of 2,756 small manufacturing firms surveyed by the bank, only 20 percent said business would improve in the third quarter, 46 percent said it wouldn't change and 34 percent said it would deteriorate.

The bank calculated the Business Survey Index (BSI) at 86.

For the fourth quarter, 33 percent forecast improvement, 51 percent said no change and 17 percent predicted a worsening for a BSI of 117. When the BSI is over 100, it means that more people think business conditions will improve.

By industry, almost all sectors expect a slump in the third quarter except food and beverages.

The chemical compounds, coal and plastics industries will suffer in the second half due to the overheated competition among themselves and rising international oil prices.

The short financial position continues to be a heavy burden on small enterprises despite the government's efforts to shore them up because of the overall business slump, the slow money flow and the stringent monetary policy.

It was forecast that the facility investments in the third and fourth quarters would be the same level as the previous quarter, centering on factory automation to lower production costs and raise productivity.

Wage hikes are the most difficult problem for small companies, followed by short domestic demand, lack of manpower and scarcity of loans, it said.

Textile, garment and leather companies are still in dire need of more manpower, but the problem is improving from a broad view, the Industrial Bank said.

Freight Forwarding Market To Open Fully in '94

SK1407083892 Seoul THE KOREA TIMES in English 14 Jul 92 p 7

[Text] Korea will fully open the freight forwarding market to foreigners in 1994, the Korea Maritime and Port administration [KMPA] said yesterday.

Now, foreigners are banned from owning 50 percent or more in joint invested companies involved in the freight forwarding in accordance with a related law.

This is the core result of the Korea-U.S. maritime talks July 7-9 in Washington by both governments' officials.

But the two sides failed to narrow their differences on the full opening of Korea's trucking market.

A KMPA spokesman said that the U.S. strongly demanded the opening by the end of 1993 but Korea rejected the U.S. demand on the grounds that an abrupt full opening would benefit neither Korea nor the U.S. amid severe road congestion and the small-scale of domestic trucking companies.

The two sides extended the two-day talks by one day to solve knotty issues, the spokesman said.

The Korean delegation also helped the U.S. understand other issues such as permission for foreign shipping companies to use container terminals in Pusan, bonded transportation and regulations on freight filing systems for foreign shipping companies, he said.

Kang Tong-sok, administrator of the Korea maritime and Port Administration, headed the nine-member Korean delegation and Warren Lebak, administrator of the U.S. Maritime Administration was his counterpart at the talks.

Real Estate Scam Termed 'Typical Fraud Case'

SK1207122092 Seoul THE KOREA HERALD in English 12 Jul 92 p 3

[Text] The probe into the recent real estate scam is likely to be closed early this week with the conclusion that it was nothing more than a typical fraud case.

A Seoul prosecution official denied the widespread report yesterday that investigation was underway to search for what they described as "invisible hands" behind the 47.3-billion won fraud.

"Investigation so far has proven that it was a typical fraud case in which the First Life Insurance Co. fell prey to a group of swindlers who posed as figures having strong connections with higher military and political authorities," said the official who wished not to be identified.

He went on to say that the probe is now focused on finding the whereabouts of part of the swindled money still unaccounted for and arresting three other suspects implicated in the case, who are still at large.

Of the three on the nationwide wanted list, Kim In-su is in the limelight for his enigmatic activities before and after the fraud case came to light.

Kim, 40, was confirmed to have managed Myonghwa Construction Co. located at Seoul Tower Hotel till Kim Yong-ho, 52, former civilian employee at the Joint Chiefs of Staff Headquarters fled to Hong Kong, June 11.

Yim Hwan-chong, 52, who reportedly acted as a go-between in arranging a business deal between Kim Yong-ho and Kim In-su, held a vice presidential post at the mysterious construction company.

Kim Yong-ho was introduced to Kim In-su in mid-December last year by Yim and Kim In-su who then introduced Kim Yong-ho to Chong Kun-chong, thought to be the main culprit in the real estate scam in late December, for which, Kim In-su reportedly received 3 billion won from Chong and went into hiding, according to the prosecutors.

Kim In-su was also found to have worked as an election campaigner for apolitical leader identified only as an initial"K" who ran for the March 26 general elections in his constituency in the South Kyongang Province.

Kim also drew particular concern from his relatives and friends when he, all of a sudden, changed his lifestyle recently and behaved as if he had become a billionaire overnight.

More recently, his friends were quite surprised to see lots of bouquets sent by prominent military and political leaders when his father celebrated his 70th birthday party.

In the course of investigation into the real estate scam, in the meantime, it was found that Chong Kong-chong and his accomplices were deeply involved in curb money markets.

A number of private money market dealers south of the Han River went into hiding in February all at once, thus paralyzing curb money market activities which in turn directly affected lots of business establishments heavily dependent upon the underground money market.

It was later confirmed that they did so after being tipped off on the secret probe into the scam started by the law-enforcement authorities.

"This is an indication of how well they are organized and informed about activities of the law-enforcement authorities.

As a rule of thumb, about 1,200 private money dealers are presumed to be active nationwide in the curb money markets.

Black money markets account for one third of the nation's economy in terms of the gross national product (GNP), one economist said.

Opposition Claims Manipulation

SK1407030992 Seoul THE KOREA HERALD in English 14 Jul 92 p 2

[Text] The two major opposition parties yesterday charged that the prosecution is manipulating its investigation into the multibillion won land swindle, and demanded efforts to get a real picture of the case.

They contended that law-enforcement authorities are trying to cook up the affair as a "simple" land scam to conceal the involvement of higher-ups.

A fact-finding team of the main opposition Democratic Party visited the Seoul District Prosecutors Office and called for a fair investigation into what the party alleges suspicious.

The team is to call on Yi Sang-yon, chief of the Agency for National Security Planning [NSP], to demand Kim Yong-ho, the arrested retired Army colonel who is believed to be the principal actor in the land scandal be charged with violating the tough National Security Law.

DP Co-chairman Kim Tae-chung argued that popular doubts in the land scandal have been snowballing by the NSP's decision not to indict Kim Yong-ho who allegedly breached the Security Law. Under the law, South Koreans are banned from contacting North Koreans without permission from the government.

Kim Yong-ho allegedly attempted to flee to North Korea via China but was arrested on charges of fraud early last week.

"It is the prosecution and the National Security Planning agency that make the people suspicious," Kim Tae-chung contended.

Following a meeting of the party's Supreme Council, party spokesman Chang Sok-hwa said his party believes that high-level government officials including those at Chongwadae were behind the case.

He claimed that the swindle was committed to raise political funds for the ruling Democratic Liberal Party.

The spokesman claimed that the prosecution has focused its probe on a group of con artists led by Kim Yong-ho, rather than revealing who masterminded the fraud and why.

He charged that the prosecution has failed to trace the 23 billion won missing from a bank account, part of the money First Life Insurance Co. deposited for a contract to purchase land owned by the Army Intelligence Command.

The prosecution should be looking into how the swindlers contracted the purchase of the land, although such sales need the President's approval, the spokesman said.

"Such a passive investigation will surely invite popular distrust in the government," he said.

The opposition United Peoples' Party issued a similar accusation.

Spokesman Cho Sun-hwan contended that without a thorough probe into the wirepullers in the land scandal, mounting popular suspicions on the land scandal would not fade, the spokesman said.

Opposition To Meet on Return To Assembly

SK1407085392 Seoul THE KOREA HERALD in English 14 Jul 92 p 2

[By staff reporter Choe Sang-hun]

[Text] The leaders of the two major opposition parties are to meet this evening to narrow their differences over whether the opposition should return to the National Assembly.

The newly elected Assembly's first session is now deadlocked as the opposition parties and the ruling party wrangle over when to hold the local polls for mayors and governors.

The two opposition parties had boycotted the session as soon as it opened June 29, protesting the ruling Democratic Liberals' [DLP] decision to postpone the polls until 1995.

According to the law, the polls should have been conducted by the end of last month, but the government, citing economic difficulties, postponed them and wanted the new Assembly to endorse its decision by rewriting the law.

Infuriated by the move, the opposition has accused the government and its ruling party of breaking the law and demanded that the polls be held within this year.

Today's meeting of the two opposition leaders draws special attention because it comes amid signs of a split in the opposition ranks.

Chong Chu-yong, leader of the No. 2 opposition United People's Party [UPP], has recently hinted at his intention to return to the Assembly.

The public wants the Assembly to lose no time in addressing bread-and-butter economic issues and investigating persistent doubts over a recent multimillion dollar land swindle case, Chong has said.

The main opposition Democratic Party [DP] appeared perplexed by the unexpected move by Chong but has stuck to its hard-line.

The importance of when to hold the local polls surpasses that of any other political and economic issue, and political parties must decide on the timing of the polls before anything else, say DP officials.

If the opposition returns to the Assembly session, they fear, the ruling party, commanding a majority in the single-chamber legislature, may railroad a revision bill in favor of postponing the local polls.

The timing of the local polls is of great political implication, according to the opposition parties. They contend the local administrative chiefs should be picked before or at the same time as the president so that the government can not abuse administrative powers for the December presidential election.

The governing party says the parties could ensure a fair presidential election by revising the election law.

Amid the wrangling, Chong's UPP seems to be benefiting the most. It is keeping both the ruling party and its opposition partner hopeful.

DLP leader Kim Yong-sam said yesterday he was sure that the opposition would return to the Assembly soon.

"It is only a matter of time. The people want the parties to return to parliament," Kim said.

Kim's rationale sounds familiar to Chong. In addition, Kim Yong-sam is openly inviting the opposition to investigate the recent land fraud scandal, and that is what Chong is itching to do.

But DP floor leader Yi Chol said that the UPP had always stood beside his party and would continue to do so.

"I don't think the UPP will break away from our partnership," Yi told reporters yesterday.

Ever the strategist, Chong is dangling a tantalizing position. He has said that the opposition partnership is meaningful only as long as it serves the interests of the public, adding that the people want his party to return to the Assembly. He said last week that his UPP is ready to go its own way.

However, Chong, through party spokesman Cho Sun-hwan, yesterday put more emphasis on "opposition cooperation" than on going its own way. Chong may change his heart and stick to the "opposition alliance."

A recent cartoon in a daily newspaper highlighted the situation. It showed Chong nagging DP leader Kim Tae-chung to return to the Assembly while DLP leader Kim Yong-sam anxiously waited for the two. Chong was the only one smiling.

The billionaire-turned-political leader has no taste for being pushed over; he wants to make everybody heed him. He wants to become an influential power broker.

Kim Chong-il's Military Followers Profiled

SK1107102092 Seoul CHOSON ILBO in Korean 9 Jul 92 p 28

[Article by Pyok Wan-sik from the "North Korean" column]

[Text] After being elected supreme commander of the military, Kim Chong-il was awarded the title of marshal, thus strengthening his position as the supreme leader of the North Korean Army. In this connection, many of his aides within the military are emerging.

Kim Chong-il's leading confidants in the military are the trio of O Kuk-yol (63, general, director of the party Civil Defense Department [Minbangwibu]); Kim Kang-hwan (61, general, director of the party Military Department); and Kim Tu-nam (64, general, former director of the party Military Department). Like Kim Chong-il they all graduated from the Mangyongdae Revolutionary School and are elites who also studied at military schools in the Soviet Union.

In the seventies, this trio purged those opposing the process of helping Kim Chong-il become the heir apparent, thus playing a decisive role in helping Kim Chong-il's military following take root. By now, they have taken the leadership in Kim Chong-il's military following. These people are grouped in the second generation of the revolution.

O Kuk-yol is like Kim Chong-il's alter ego. He is sometimes regarded as "the crown prince of the military." He is the first graduate of the Mangyongdae Revolutionary School and graduated from the Soviet Air Force College. In just one year since being promoted to lieutenant general (equivalent to our major general) in 1968, he took the position of commander of the Air Force, and in 1977 he was promoted to deputy chief of the Korean People's Army [KPA] general staff.

O Kuk-yol played the role of "the head of the shock brigade" in driving out Yi Yong-mu, who was then director of the military's General Political Bureau, and Chang Chong-hwan, who was then vice minister of the Ministry of People's Armed Forces, as antiparty and antirevolutionary elements and eliminated them for having raised the banner of revolt against the work to have Kim Chong-il become heir apparent in the mid and late seventies. From that time, he became Kim Chong-il's right hand and traveled the road to a successful career. In September 1979 he was assigned to the office of chief of the general staff and in April 1985 he became a four-star general.

O Kuk-yol displayed enormous influence in the military and at one time he instead of Kim Chong-il took control of the army. He was considered the real power in the military because there was speculation that he was in charge of upholding Kim Chong-il as the military leader.

However, in 1988, in his 10th year as the chief of the General Staff, O Kuk-yol was suddenly dismissed from this position, thus raising questions. This incident was called the "February 1988 coup d'etat" in which O Chin-u (75, marshal), minister of the Ministry of People's Armed Forces, who is the leader of the first generation of the partisan revolution and symbol of the People's Army, directly appealed to Kim Il-song, saying he should be dismissed for self- indulgent behavior.

O Kuk-yol, KPA chief of general staff, was replaced by Vice Marshal Choe Kwang, 74, a first-generation revolutionary. In this way, O seemingly disappeared from the leadership. However, he became director of the party Civil Defense Department and is still trusted by Kim Chong-il. Experts believe that he will soon make a brilliant comeback when Kim Chong-il takes control of the military and that he will become KPA chief of general staff or minister of the People's Armed Forces and will play the role that O Chin-u is now playing under Kim Il-song.

Kim Kang-hwan and Kim Tu-nam started their military careers as instructors at the party's Military Department. They were working under Kim Chong-il in 1980, when it was made public that Kim Chong-il was the heir apparent and became director of the party Military Department, which controls the military.

Kim Kang-hwan and Kim Tu-nam are said to give advice on military policies to Kim Chong-il behind the scenes.

Kim Kang-hwan, who was born in Pyongyang, graduated from the Mangyongdae Revolutionary School and the Soviet Military Academy. He started his military career as instructor at the party Military Department in 1962. He was promoted to major general (brigadier general in the ROK) in 1968. He became chief of the Operations Bureau of the Ministry of People's Armed Forces in 1977 and deputy chief (lieutenant general) of the military's General Political Bureau in 1979. He became director of the party Military Department in February 1984.

At the sixth party congress in 1980, he was elected alternate member of the party Central Committee Political Bureau, member of the party Central Committee, and member of the party Central Military Commission. Rumors have it that he is a relative of Kim Il-song's. He is a man of discretion and is believed to be a leader among the second-generation revolutionaries in the military.

Kim Tu-nam was brought to attention when he, along with Kim Kang-hwan, was elected member of the party Central Committee and member of the party Central Military Commission. He graduated from the Mangyongdae Revolutionary School. He began working at the party Military Department in 1965 and was appointed its director in 1982, relatively earlier than usual. He is well versed in military affairs and gives advice to Kim Chong-il.

Speculation is that the two generals will lead the second-generation revolutionaries and play a leading role in the transfer of power. Those who are emerging in the North Korean military in addition to this gang of three are Yi Pong-won (65, deputy chief of the General Political Bureau in charge of organizational affairs); Kim Il-chol (64, commander of the Navy); Cho Myong-nok (68, commander of the Air Force); Choe Sang-uk (artillery commander); and O Yong-pang (member of the party Central Military Commission). All of them are members of the " '80 group," which emerged in 1980 when Kim Chong-il's system moved to the fore.

In particular, Yi Pong-won's activities have become noteworthy. He graduated from Kim Il-song University. He served as chief secretary of the Kaesong Party Committee and the South Hwanghae Provincial Party Committee, a career very different from the military. He was appointed colonel general and deputy director of the military's General Political Bureau in December 1986. On behalf of the party, the General Political Bureau controls the military. A political officer in the military, he control the KPA's personnel and organizational affairs. Kim Chong-il reportedly bestows favors on him. The military policies presented since Kim Chong-il was elected KPA supreme commander are reportedly his work. As a result, he is referred to as a candidate for the next chief of general staff. Most of the members of the " '80 Group" were promoted to full-star generals in April's large-scale reshuffle of generals, filling the military's upper echelon.

Kim Chong-il's followers in the military are mainly composed of second-generation revolutionaries who played a central role in national defense after liberation. They are serving at every important post in party organizations in charge of military affairs, in the Ministry of People's Armed Forces, in the Ministry of Public Security, in the Ministry of National Defense [as published], and in the Guard Command.

In April's reshuffle of 664 generals, Kim Chong-il promoted a total of 140 second-generation generals, including his confidants, to an immediately higher rank, thus making them real power holders. He also stretched his hands to third-generation revolutionaries by promoting 524 colonels to general.

A big hurdle remains for Kim Chong-il to take full control of the military: the presence of the partisan first-generation revolutionaries, including O Chin-u. O Chin-u; Choe Kwang; Vice Marshal Yi Ul-sol (71, director of the General Guard Bureau); Vice Marshal Chu To-il (70, commander of the Pyongyang Garrison Command); Vice Marshal Paek Hak-nim (71, minister of public security); and other partisan military elders still fill the highest military posts and strongly influence the military. Kim Chong-il's attempt to replace those elders would invite a strong backlash from them.

In particular, O Chin-u has strong ties with Kim Il-song, is the most important figure in the North Korean military, and accompanies Kim Il-song and Kim Chong-il to every important event. So, he is considered to be a guardian of the current succession plan.

Therefore, Kim Il-song and Kim Chong-il are making significant efforts to keep O Chin-u and other generals in line. It is considered that because of this, out of courtesy to the elders, on 20 April, three days before the military reshuffle, O Chin-u as well as Kim Chong-il was promoted to marshal and eight elders, including Choe Kwang, were promoted to vice marshal.

Also, Kim Il-song, in an unusual move, invited the elders to a luncheon in March and stressed "harmony." This is considered to be an effort to prevent possible conflicts.

Kim Chong-il's full control over the military and the completion of the succession system depend on how well his military followers will rule the military, which is the last bastion maintaining the North Korean system, and how united they are.

Large Number of Students Distrust Politicians

SK1407082792 Seoul YONHAP in English 0808 GMT 14 Jul 92

[Text] Seoul, July 14 (YONHAP)—A large number of students have a strong distrust of politicians of all stripes, according to a survey by the research practice team of Seoul National University's [SNU] Sociology Department.

The findings of the May survey on the thoughts and lives of 963 SNU students were released on Monday [13 July]. Over half, 56 percent, do not support any political party.

Asked who should rule Korea, 36.1 percent said reform-minded fresh blood in the existing political bloc, 25.8 percent the farmers and workers movement force, and 20.3 percent the citizens movement force.

Of those who had completed their army service, 47.2 percent supported reform-minded new blood in the political bloc, against 33.5 percent of those who had yet to serve. The SNU team said they took this to indicate that army experience makes students more realistic.

Of the 24.2 percent who did not vote in the March 24 general elections, 24.6 percent said they could not vote due to circumstances beyond control, 13.7 percent said the party they supported did not have a candidate in their district, 12.8 percent answered they had no interest in government, and 11.8 percent said political reform could not be attained by elections.

Brunei, Malaysia & Singapore

Malaysia

Federal, Kelantan Disagreement Over Dam Continues

Attorney General To Review Action

BK1107141092 Kuala Lumpur Radio Malaysia Network in English 1330 GMT 11 Jul 92

[Excerpt] The federal government will refer the action of the Kelantan Government to prevent federal ministers from visiting the Pergau hydroelectric dam project site to the attorney general. Asked by reporters to comment on the Kelantan Government's action, Prime Minister Datuk Sri Dr. Mahathir Mohamed said it is up to the attorney general to determine whether the action was legal or otherwise. On negotiations between the federal and Kelantan governments on the matter, he said discussions could not be held under the present circumstances. The prime minister pointed out that if discussions were held because of pressure from the other party, a fair decision would not be reached.

In Marang, Terengganu, Deputy Prime Minister Encik [Mr.] Ghafar said the Kelantan Government's move not to allow federal ministers to visit the Pergau hydroelectric project site would be discussed by the Cabinet before any action was taken. The matter would probably be discussed at the Cabinet's meeting to be held in Kuala Terengganu next Wednesday in conjunction with the prime minister's week-long visit to the state. [passage omitted]

Kelantan Head Clarifies Visit Ban

BK1107150292 Kuala Lumpur Radio Malaysia Network in Malay 1430 GMT 11 Jul 92

[Text] Anyone, including federal ministers, can visit the Pergau hydroelectric dam project site in Jeli provided he follows regulations. Kelantan Chief Minister Haji Nik Abdul Aziz Nik Mat said the site is a forbidden area and not everyone can freely visit it. [two preceding sentences as heard] He stated the state government's stand before newsmen after closing a political and administrative seminar organized by Kelantan's Pan Malaysian Islamic Party in Camp Kijang, Kota Baharu. He, too, must follow regulations if he wishes to visit the Pergau project site.

Mahathir Article on Developing Nations, Economy

BK1307120192 Kuala Lumpur NEW STRAITS TIMES in English 9 Jul 92 p 12

["Article" by Prime Minister Dr. Mahathir Mohamed entitled: "We Enjoy an Edge With Lower Wages"]

[Text] Developing countries have very few advantages when competing with the developed, particularly in the manufacturing industry. It may happen that they have the natural resources needed as raw material. Or they may have petroleum or cheap hydro-electric power. But the only real advantage that they have is their low-cost labour. By and large, the labour is unskilled. But for the production of natural products only minimal skills are needed.

For a very long time, the only sources of wealth of the developing countries are the commodities which they produce with their low-cost labour. But these two assets that they have will never enable them to catch up with the developed countries. In fact, through the manipulation of the market, the developed countries are able to obtain the commodities at increasingly lower prices. Yet the manufactured goods produced with these commodities keep on increasing in price, year by year. Thus, more and more commodities have to be sold for less and less manufactured goods.

What this means is that the gap between the commodity-producing, developing countries and the developed, industrialised countries will get wider with the years.

There are other disadvantages which handicap the developing countries. Generally, they are not skilled in the modern science of administering their countries. Whether it be a dictatorship or a liberal democracy, their lack of administrative skills invariably affects adversely the infrastructures required for economic stability and predictability of their country.

Additionally, the low earnings of the political leaders and administrators make them easily compromised. Without a competent and clean Government, it is impossible for a country, developing or developed, to plan and implement policies for economic growth and welfare of their people and to react to the vagaries of the internal and external economies effectively.

On the other hand, the developed countries have an abundance of skilled management, technological knowhow including production techniques and capital. When they started on industrialisation, their cost of labour was also low. Indeed, in the early years of the industrial revolution they even used child labour. They were also able to exploit the resources and the cheap labour in their colonies.

For almost two centuries, the developed countries were able to make rapid economic progress unchallenged by the developing countries, which in most cases, they ruled and dominated. The gap between the developed and the developing widened tremendously during this period.

By the time the developing countries realised that there is no hope for them to challenge the developed countries unless they industrialised, the social, economic and political strengths of the developed countries were so advanced that they can afford all kinds of disruptions without substantially affecting their lead relative to the developing countries. Thus they can withstand political instability and industrial unrest and still remain economically strong and competitive.

So sure were they that developing countries outside of Europe and America will not be able to master their technology that they were quite complacent when Japan tried to industrialise. The early Japanese products, though cheap, were of such poor quality that they posed no threat to the products of the West.

But the Japanese were competent administrators. Once they mastered the technology, they were soon able to compete successfully in the market with western products.

After the Japanese, the Koreans and the Taiwanese proved that mastery of western technology is possible for anyone who really tries. Given the opportunity, developing countries can industrialise and compete successfully with the developed countries.

At this stage, the developed countries decided to obstruct the industrialisation process in the developing countries. It was too late to do anything about Japan. And so they classified Korea, Taiwan, Hong Kong and Singapore as Newly Industrialising Countries (NICs). They identified the comparative advantages of these countries as low-labour cost, authoritarian governments, low currency value, and protection for local industries as well as domestic markets.

By stirring up industrial unrest and demanding an end to undemocratic rule, they set the stage for economic and political instability. Pressure by the Group of 7 industrial countries and the World Bank resulted in the currencies of the NICs being revalued upwards. More pressure was applied in order to open up their domestic markets.

Immediately these NICs became less competitive. Industrial and political unrest reduced productivity. Higher wages paid in the revalued currency increased the unit cost of products. The cost of living rose rapidly, negating the higher income received by the workers.

Having succeeded in obstructing the development of the NICs, the rich developed countries are not going to wait until the other developing countries reach the stage of the NICs. They reasoned that it is easier and more effective to act early while these countries are still very weak.

As has been mentioned the two most important advantages the developing countries have are natural resources and low-labour cost. The resources are countered by scientifically researched substitute or manipulation of the market. Thus, tin as a packaging material faced competition from paper, glass, plastics, aluminium and a number of other materials. Through threats and the actual use of these materials, tin prices were pushed down so low that mines had to be closed. Rubber had to compete with synthetics against which it lost out. The same happened to other natural resources on which the developing countries depended in order to achieve economic growth.

Granted, the developed countries may not be deliberately striving towards impoverishing the developing countries when they looked for substitutes which were either better or cheaper or both. But the effect on the developing countries was to impoverish them.

Some developing countries like Malaysia decided to industrialise in order to reduce dependence on the unreliable commodities. Malaysia has to a certain extent mastered the skills required to administer the country under the democratic system. It is, therefore stable enough to enable the economy to grow and to switch to industrialisation.

But Malaysia, together with other developing countries, lacks the know-how and technology, industrial management skills and capital. To overcome these disadvantages, Malaysia invited foreign capital investments along with their technology, management skills and marketing knowhow.

But for foreign investments to help Malaysia develop, the country must offer certain comparative advantages. Along with political stability, tax and other incentives were offered. In addition, Malaysia has the usual lower cost labour of developing countries.

Unable to charge Malaysia with being authoritarian, the developed countries, particularly their trade unions, set out to destabilise industrial relations in order to discourage foreign as well as local investments and prevent progress towards industrialisation.

Clearly if the advantage of low-cost labour can be eliminated, the developed countries will have all the advantages. Conversely, without the advantage of low-cost labour, there is no way for a developing country to be more productive, that is, to have lower unit cost in manufacturing than a developed country.

Working through international labour organisations the leaders of the labour unions in the rich developed countries gained influence over the leaders of unions in developing countries. By involving the principles of free association and the right of workers to form trade unions and to take industrial action, the leaders of the trade unions in the rich developed countries were able to lend legitimacy and moral strength to their objective of preventing the developing countries from competing with them they argued that competition must be fair and the developing countries were not competing fairly because they do not pay their workers fair wages. That the developing countries have to pay to the developed countries for their technology, management expertise and cost of capital and are, therefore, at a disadvantage when competing with the developed countries, are ignored.

Are wages in the developing countries really low? Wages or any kind of earnings are only meaningful when their purchasing power is taken into account. Absolute sums of money are quite meaningless if what the wage earner can buy with them is less than what wage earners in other countries can buy.

Thus, one ringgit is worth two-fifths of US$1 or 40 US cents since the exchange rate is US$1 to M$2.50. But in terms of purchasing power they are approximately the same. US$1 will buy one hamburger of the same size as the one sold for M$1. The same ratio is obtained when other products, food and housing are compared.

A worker in Malaysia earning $500 a month can live equally well as a worker in the US earning US$500 per month. In actual fact, a worker earning US$500 per month in America is poorer than a M$500 per month Malaysian worker.

Even for business executives earning the same salary as American executives but in ringgit instead of the US dollar, their purchasing power is the same if they should stay and spend in their own country. It is only if the Malaysian goes to the US that he will feel poor. Conversely, the US executive travelling to Malaysia will feel well-off.

A comparison of the cost per day for a traveller in the different countries as analysed by travel magazines shows clearly that the cost of living in Malaysia is about a third of that in most developed countries.

It is, therefore, wrong to compare the exchange value of the wages of a Malaysian worker or executive with that of workers in the developed countries. The cost of living in Malaysia is low. It is approximately one third that in developed countries.

If wages in Malaysia are made the same as wages in developed countries in exchange value, then the Malaysian worker would be more highly paid than the worker in the developed countries in terms of purchasing power. Unfortunately, this will not be for long. Higher wages will lead to inflation which will reduce the purchasing power of the Malaysian worker. In the end, although wages may be high, the purchasing power will remain the same as before or may even be lower.

But what is really important is that the comparative advantage of low-cost labour would be lost. At the same time, the developing country would still be without indigenous capital, technology and management skill. It will still have to pay for all these by giving tax and other incentives. In other words, cost of production in a developing country will be higher than in developed countries. The competitive edge will be lost.

This means that developing countries will not be able to catch up with the developed countries. A developing country will always be a developing country although the workers are paid the same wages as those in developed countries. Worse still, as there is no comparative advantage, there will be no foreign or even local investments.

It will not be able to industrialise. It will have to subsist on the production of commodities, which provides fewer employment opportunities. Unemployment will characterise the labour scene. And the developed countries will always be richer and more powerful than the developing countries. This is the real objective of the developed countries and their workers and unions. They know that by forcing wages to go up in the developing countries, the threat to their own livelihood and lifestyle posed by the industrialisation of these countries will be removed.

Workers and trade unionists in developing countries should think twice when their brothers from the rich developed countries express concern and sympathy for their lot. When competitors suddenly become supportive, there is reason for suspicion. As much as our goods are competing with their goods, workers in developing countries are competing with workers in the developed countries.

Malaysia is one of the fastest industrialising countries in the world. Although the per capita income is still about one-eighth of the developed countries, its growth rate indicates that given time it can catch up. Because of this, a lot of attention is being paid towards its performance. There are many indications that the developed countries will not allow unhampered growth for Malaysia.

Certainly the trade unions in the developed countries are not going to permit yet another country to threaten their jobs and their comfortable lifestyles. Malaysians would be naive to think that they are going to have an easy passage. It pays to be alert and attentive.

But workers must be paid what is due to them. Their wages should go up if productivity goes up. Their unions must protect them. The Government too must protect them. But at all times everyone must be aware that when wolves offer to escort Red Riding Hood, the little girl can end in the stomach of the wolves.

Our only advantage is our low-cost labour and our low cost of living. If we lose it, then we will be a permanently poor developing country.

Mahathir Calls Trade Union Leaders 'Traitors'

BK1007153792 Kuala Lumpur Radio Malaysia Network in Malay 1430 GMT 10 Jul 92

[Text] Prime Minister Datuk Sri Dr. Mahathir said today the Malaysian Trade Union Congress (MTUC) leaders did indeed commit treachery by discrediting Malaysia at last month's International Labor Organization conference in Geneva. The government, however, has decided not to prosecute them as they have not broken any law in their act of running down the country.

MTUC leaders were traitors for being treacherous to the country and workers. He told reporters this after opening an exhibition on youth in national development in Kuala Lumpur. The prime minister said the union leaders had let themselves be used by Western labor unions bent on seeing Malaysians lose their jobs, and fail in the country's economy.

Prime Minister Dr. Mahathir stated that MTUC leader Zainal Rampak and MTUC secretary V. David are among the union's leaders that often criticized the country's economic policy. He said that the government has no ill-feeling towards the MTUC organization and considered it as the biggest trade union in Malaysia. The only problem is that MTUC is led by an opposition party. Dr. Mahathir further added that the union leaders are actually interested in becoming national leaders and holding power in the country.

Mahathir Accusation Referred to Lawyers

BK1107152692 Kuala Lumpur Radio Malaysia Network in Malay 1430 GMT 11 Jul 92

[Text] The Malaysian Trade Union Congress [MTUC] is consulting with its lawyers after the prime minister accused MTUC President Mr. Zainal Rampak and Secretary General Mr. David of being traitors. Datuk Sri Dr. Mahathir also said they were acting against the interests of Malaysian workers by allowing themselves to be used by international organizations that only wanted to see the country's economy collapse and the people jobless. Mr. Zainal said all they were doing was based on the mandate given by the MTUC General Assembly.

Mahathir 'Unaware' of Build-Up Over Spratlys

BK1007154092 Hong Kong AFP in English 1143 GMT 10 Jul 92

[Text] Kuala Lumpur, July 10 (AFP)—Malaysian Prime Minister Mahathir Mohamad said Friday he was unaware of any military build-up by rival claimants to the disputed Spratly archipelago in the South China Sea.

"There is no beefing up of military strength as reported," Mahathir said, commenting on news reports that five of six Asian countries claiming the disputed island chain had sent troops there to reinforce their positions.

Malaysia, Vietnam, China, Taiwan, the Philippines and Brunei either claim ownership to the whole, or parts of the archipelago which is believed to be rich in oil and gas.

"The best way to resolve the overlapping claims is through negotiations," Mahathir told reporters here.

Reports said all disputants, except Brunei which has no military force posted to the Spratlys, had strengthened their military presence following China's May 8 agreement with U.S-based Crestone Energy Corp. to drill for oil in an area Vietnam claims is on its continental shelf.

Malaysia has small military detachments on two tiny Spratlys islands, Layang-Layang and Matanani, which Malaysian king, Sultan Azlan Shah, visited in May in what was widely seen as a reassertion of Malaysian sovereignty there.

Trade Minister, Iranian Counterpart Discuss Trade

Iran Offers To Export Building Materials

LD0907113692 Tehran IRNA in English 1016 GMT 9 Jul 92

[Text] Kuala Lumpur, July 9, IRNA—Iran offers to Malaysia its building material, especially in marble tiles which are widely produced in the country, according to Malaysian minister of domestic trade and consumer affairs, Abu Hassan Omar said on Thursday.

"We will call on Malaysian private sector who are involved in construction to take this advantage because at present we import those material from Italy and other European countries," he told newsmen after a meeting with Iran's deputy president and head of the budget and planning organisation, Masoud Roghani Zanjani.

Abu Hassan, who is also former Malaysian foreign minister said he and Zanjani agreed that the private sector from both countries must continue to remain active by being aggressive in exploring and nurturing new avenues of co-operation.

They also hoped that more trade exhibitions and fairs would be held in the two countries so that the public would be better informed about the other side.

Total trade between the two countries stood at 61.28 million US dollars in 1991. This was a 33 percent decline from the previous year's total of 91.15 million US dollars.

Abu Hassan said Iran is also interested to export its pharmaceutical products to Malaysia, but he said the pharmaceutical products first have to get an approval from Malaysian Health Ministry.

"We will consult with the Health Ministry on this matter," he said.

Zanjani is leading a 23-member delegation to Malaysia.

Agreement on Future Ventures Reached

BK1107100492 Kuala Lumpur BERNAMA in English 0704 GMT 11 Jul 92

[Text] Kuala Lumpur, July 11 (OANA-BERNAMA)—Malaysia and Iran have agreed to make each other gateways for future ventures in the newly-independent Central Asian republics and Southeast Asia respectively.

This Iranian proposal was among matters agreed on at the two-day third Malaysia-Iran Joint Commission meeting which ended here Friday.

Foreign Minister Abdullah Ahmad Badawi said Saturday Malaysia had the infrastructure and facilities to offer Iran as a gateway for it to diversify trade with other countries.

"Since we enjoy good relations with Iran, I am sure Malaysia can serve as a good and effective gateway for its economic activities in the Far East, particularly Southeast Asia," he told reporters after signing the minutes of the meeting together with Iranian Vice President Rowghani Zanjani.

Abdullah said Malaysia could also use port facilities in Iran to trade with countries in Central Asia as most of these countries were landlocked and had no port facilities.

He also said the Palm Oil Research Institute of Malaysia (PORIM) had agreed to sponsor a group of researchers from the Iran Standard Institute to conduct collaborative research here soon to convince the Iranians of the nutritional values of palm oil.

"It is important that the Iranians be made to realise the nutritional properties of palm oil and there is a need to speed up this research project," he said in response to the problem of Iran not acknowledging the product as edible oil.

He said PORIM had allocated between two and three months for the project which could be extended if necessary.

Both Abdullah and Zanjani agreed that the two countries should get down to specifics and not merely express general statements as had been done in the two previous meetings of the commission.

Asked about joint investment projects, Abdullah said no specific programmes had been agreed on as it was not for the commission to decide on such matters but they had identified areas that could be explored such as support-based industries and mining.

Zanjani said Iran welcomed Malaysian investments in oil palm cultivation or its related industry such as palm oil purification projects.

Earlier during the signing, Abdullah said Malaysia and Iran had reached important decisions on several issues that would have significant impact on their bilateral relations.

The meeting also agreed to step up the promotion of culture and tourism and exchange of experts in the fields of agriculture, veterinary, fisheries, and training of officials.

Abdullah described the commission as a useful mechanism through which durable cooperation in diverse areas of economic, trade, cultural, and social activities could be realised.

Zanjani expresssed confidence that the agreement reached here could be translated into action by the next meeting of the commission in Tehran next year to pave the way for enhanced cooperation in various fields.

"Iran has always looked towards Malaysia on a long-term basis. As Muslim countries, we need to foster strong cooperation to prevent us from being too dependent on developed countries," he added.

Defense Industry Cooperation Signed With ROK

BK1107040092 Kuala Lumpur BERNAMA in English 0320 GMT 11 Jul 92

[Text] Kuala Lumpur, July 11 (OANA-BERNAMA)—Malaysia has strengthened its military ties with South Korea following the recent signing of memorandum of understanding between the two countries, said Malaysian Defence Industries Council Secretary Zamani Rafique.

The council, as the Malaysian defence industry representative, signed the memorandum with their counterparts, the Korean Defence Industry Association, during a visit to Seoul last week.

Zamani said the Malaysia-Korea Defence Industry Cooperation Committee would be cochaired by representatives from both countries.

"Its main task will be to identify opportunities for business and technical cooperation," he said, adding that the committee would meet yearly. Both sides would have government observers in the committee, he added.

Australian Opposition Leader Stresses Close Ties

BK1107062092 Kuala Lumpur BERNAMA in English 0316 GMT 11 Jul 92

[Text] Kuala Lumpur, July 11 (OANA-BERNAMA)—Future governments in Australia will continue to maintain close ties with Malaysia, an Australian opposition leader said Friday.

Liberal Party Deputy Chief Peter Reith said there was basically a shared view among the political parties in Australia which stressed the importance of the close relationship between the two countries.

"The Australian Government simply wants to build on this relationship by making a number of changes in policy which will only further encourage the ties," the shadow treasury minister told reporters at a press conference here.

Asked what major changes would be introduced affecting Malaysia in the event a coalition government was voted into power in Australia, Reith said while the principle would remain the same, efforts would be made to further improve economic linkages.

"There will obviously be some changes in education policy which will be favourable to build up the export of Australian educational services.

"We also have very good defence relationship with Malaysia. Obviously this has to be strengthened further."

He added that more joint ventures and investments would be made to boost bilateral economic ties.

"Our general policy is to encourage greater export orientation in the Australian economy, to add value to some of our primary products, and to boost our competitive position to enhance exports.

"We are also proposing a phasing-out of all protection by the year 2000 which will improve Malaysia's access to the Australian economy and markets.

"We think measures taken by the Australian Government, overtime will certainly foster, particularly, the trading and investment links between Malaysia and Australia.

"While not dismissing other elements of the existing close relationship between the two countries, our general interest is to further liberalise trading arrangements."

Reith, who is visiting Malaysia for the first time, said he was here to meet government and business leaders to inform himself of the issues which were relevant to the Australian-Malaysian relationship.

"It is to encourage that relationship and to acquaint myself so that in the event of a change in government (in Australia) the authorities here will be well aware that such a change can only be positive for the relationship between the two countries.

Reith said the relationship between Australia and Malaysia was a long standing one.

"Over 100,000 Malaysians have been educated in Australia, many of whom know Australia well. This is a solid foundation for the relationship.

"We have been enjoying a very positive and close working defence relationship. There has been a build-up in two-way trade between the two countries in recent years."

In political terms this year, he said, there had been a number of senior ministers going to Australia from Malaysia and vice versa, all of which were positive and augured well for the strengthening of ties.

On the number of Malaysians emigrating to Australia, Reith replied that it had reduced in recent years.

"It can be due to the recession. The economy in Malaysia has been very strong and employment prospects here have been good."

Defense Minister Offers Troops for Cambodia

BK1407073292 Kuala Lumpur Voice of Malaysia in English 0600 GMT 14 Jul 92

[Text] Malaysia has offered to send its troops currently on a peacekeeping mission in Cambodia to Khmer Rouge strongholds. Defense Minister Datuk Sri Mohamed Najib bin Tun Haji Abdul Razak said he had made the offer to Khmer Rouge leader Khieu Samphan to facilitate smooth implementation of the second phase of the Paris peace accords. They met in Phnom Penh during Datuk Sri Najib's official visit to Cambodia last week. Malaysia was willing to send troops to Khmer Rouge areas if Samphan was unhappy with the possibility of others being sent there. The consequences of the failure of the UN-brokered peace accords will be quite disastrous for the future of Cambodia.

Editorial Urges Khmer Rouge To Work for Peace

BK1107110092 Kuala Lumpur UTUSAN MALAYSIA in Malay 18 Jun 92 p 6

[Editorial: "Cambodia Faces Another Upheaval"]

[Text] The peace efforts by UNTAC [the United Nations Transitional Authority in Cambodia] ran into difficulty when Khmer Rouge forces launched their third attack against the Phnom Penh government troops. Fierce clashes were reported to have taken place in several villages in Cambodia yesterday when government troops tried to retake those villages from the hands of the Khmer Rouge. The clashes are attributed to the Khmer Rouge refusal to surrender their weapons as stipulated in the second phase of the Paris peace accord signed by all Cambodian warring factions.

In this connection, the Khmer Rouge refusal is seen as violating the peace accord signed in Paris last October. The Khmer Rouge believe that surrendering weapons will weaken their influence and power base in the next phase of peace talks mediated by UNTAC.

It is feared that the civil war in Cambodia will resume as long as weapons are still freely available among the warring factions. In the last civil war the Khmer Rouge received a steady supply of weapons from the PRC and Thailand and this led to the loss of millions of civilian lives due to their brutality.

Up to now, Khmer Rouge power has come from the barrel of a gun and Khmer Rouge leaders are undoubtedly fearful that any surrendering of weapons will weaken their position in a new political scenario formulated by the United Nations.

Such concern is justified because the international community continues to condemn the Khmer Rouge massacre of 2.5 million Cambodian civilians in the 8-year-old civil war. Despite their presence in the UN-initiated peace talks, Khmer Rouge leaders still harbor suspicions of Prince Sihanouk whereas the two other factions have fully supported the interim government under Prince Sihanouk.

Political observers are worried that peace efforts stipulated by the Paris accord cannot be completed in time if the Khmer Rouge continue to show their defiance and derail the UN-initiated peace plan. Another worry is that the Khmer Rouge's attacks will also be directed against the UN peacekeeping force. If the Khmer Rouge do not respect the UN peacekeeping force, it means they really want to undermine UN peace efforts.

It is hoped, however, that the meeting in Bangkok between Thai Foreign Minister Asa Sarasin and Khmer Rouge leader Khieu Samphan will help return calm to Cambodia. The Khmer Rouge leaders and soldiers must understand that this is the only chance for them to create a democratic country by complying with the Paris peace accord. Military means are not a wise and effective way to prevent more tragedy and destruction in Cambodia.

New Yugoslavia's NAM Chairmanship Opposed

BK1407034292 Kuala Lumpur BERNAMA in English 0305 GMT 14 Jul 92

[Text] Kuala Lumpur, July 14 (OANA-BERNAMA)—Malaysia will not recognise the automatic succession of the Federal Republic of Yugoslavia to the seat previously held by the Socialist Federal Republic of Yugoslavia in the Nonaligned Movement (NAM).

A Foreign Affairs Ministry statement said the decision was in line with the recent decision reached at the fifth extraordinary session of the Organisation of Islamic Conference (OIC) held in Istanbul from June 17 to 18.

Besides, Malaysia also objected to the country's aggression against Bosnia-Hercegovina, it added.

The new republic made up of Serbia and Montenegro could not, therefore, continue as chairman of the movement, the statement said.

Malaysia would raise the matter before the Nonaligned Coordinating Bureau in New York, it added.

Commentary Views Rising Intra-ASEAN Trade

BK1007114192 Kuala Lumpur Voice of Malaysia in English 0800 GMT 10 Jul 92

[Station commentary]

[Text] The ninth ASEAN banking conference being held in Kuala Lumpur this week was told that intra-ASEAN trade had shown a marked improvement, rising from US$ 28 billion in 1983 to US$ 50 billion in 1990.

This is a clear indication of the ASEAN countries becoming more closely bound through greater trade and economic cooperation. Integrity is an utmost necessity as we witness the emergence of trading blocs, especially in Europe through its Single Market, and North America, through their exclusive free trade area or NAFTA.

We are not as yet absolutely certain of how those trading blocs will affect the countries in this region. But they are having signs of restricting the accessibility of developing countries' products into those markets, erecting trade barriers, and worst of all, linking environmental issues to trade and [word indistinct]. This can be viewed as dangerous signals looming on the horizon for newly industrializing countries, especially those of ASEAN, which are adopting an open-market system.

ASEAN and other East Asian countries are already enjoying the fruits of greater trade cooperation. ASEAN has wisely chosen the path directed towards the creation of the ASEAN Free Trade Area or AFTA, which was endorsed by the fourth ASEAN Summit in January.

It has identified 15 product groups for inclusion in the Common Effective Preferential Tariffs, or CEPT, which is the main mechanism for acheiving AFTA within a 15-year period or hopefully less. CEPT will work towards the progressive reduction of tariffs on the 15 products to attain a range of between zero and five percent by around the year 2005.

AFTA would indeed be set in the right direction if the individual economies of ASEAN countries are [words indistinct] to develop significantly in the long term. The SEACAN [Southeast Asian Central Banks Association] is by far the most important commitment of ASEAN towards greater intra-regional economic cooperation. ASEAN cannot afford to [words indistinct]. This month the six ASEAN member states will be submitting detailed proposals to be incorportaed into the CEPT program it can take off on schedule on on 1st January next year.

This means that each ASEAN country must determine its own competitiveness and comparative advantage in each of the [words indistinct] involved under CEPT. At the same time the industries concerned must streamline their operations both in production capacity and in the acquisition of new and advanced technology to prepare for a more open regional trading system. If the Intra-ASEAN network, particularly in the industrial sector, can be effectively set in motion, ASEAN can and will survive the challenges of the post-caucus Europe and NAFTA era. There are still doubts as to whether those trading blocs can become completely protectionist. It will be the consumers who will have their final say in the choice of goods, whether from developed or developing countries.

AFTA can become a dynamic movement through which ASEAN's economy will benefit first from regional free trade besides moving towards whole integration in the global trading system.

Singapore

Six Dead, 68 Injured in Tanker Fire at Harbor

BK1207114892 Singapore Singapore Broadcasting Corporation in English 1100 GMT 12 Jul 92

[Text] Six people have died in a fire disaster aboard a chemical tanker in Sembawang shipyard. Five of them died in the vessel when it caught fire this morning. The other victim died in hospital. The dead were three Singaporeans and three foreign nationals.

Police said the number of people injured has reached 68. Forty-three of them are still in hospital and 17 have been discharged. Those hospitalized are being treated for burns of varying degrees, smoke inhalation or other [word indistinct].

More than 200 workers were aboard the Liberian-registered coaster carrying out repairs when the fire broke out. It was put out half-an-hour after it started. One hundred police officers and seventy from the civil defense force were involved in the rescue operation.

An MP for Sembawang GRC [Group Representative Council] Dr. Tony Tan was at the scene of the disaster.

The shipyard's general manager of business, Mr. Jerry Koh, said an inquiry panel will be set up which will have the Labor Ministry officials as representatives. The cause of the fire is still being investigated. It is the first major disaster of a shipyard in Singapore this year [word indistinct].

Drug Suspect Arrested With Over 13 Kg of Heroin

BK1007052692 Singapore THE STRAITS TIMES in English 9 Jul 92 p 1

[By Kwan Chooi Tow]

[Text] A suspected drug trafficker, who escaped arrest in Singapore's biggest drug bust recently, was nabbed with more than 13 kg of heroin by police reservist officers on Tuesday.

The seizure of the $5.4 million [Singapore dollars] worth of heroin is the largest haul from a single person this year, said police.

Sources said the suspect, 36 and unemployed, is from the syndicate cracked by the Central Narcotics Bureau (CNB) in late May.

In the 40-hour operation, 34 people were arrested and 8 kg of heroin was seized.

In yesterday's seizure, the suspect and another man were seen behaving suspiciously by three police reservist officers in a Boon Lay Drive carpark at about 2.30 pm.

They followed the suspect to a 10th floor flat at Block 188, Boon Lay Drive, said Commander Ng Seng Liang of Jurong Police Division Headquarters at a press conference announcing the arrest and seizure yesterday.

From the doorway, the three police reservist officers, Special Constable Oh Tiong Beng, Vigilante Corpsmen Bohari Mahat and Low Swee Hua, saw the suspect transferring something from the sports bag to a cupboard.

When confronted by the officers, he pushed them aside and ran down the stairs, before jumping from a first storey landing in desperation.

He landed unhurt and was caught after a violent struggle, said Mr. Ng.

Police said 164 packets of heroin weighing 13.39 kg were found in a cupboard in the room, which the suspect had rented from the flat owner recently.

Mr Ng said that police are looking for the second man, also believed to be from the same syndicate, who was seen taking a sports bag from his car and handing it to the suspect.

The second suspect had been questioned by one of the reservist police officers at the scene minutes before the discovery of the heroin, but was released as nothing incriminating was found on him, said Mr. Ng.

The arrested man's landlord, who wanted to be known only as Mr. Chen, said he had rented the room to the man for $300 [Singapore dollars] a month from July 1.

Mr. Chen said: "We have seen him only three times since then.

"He does not stay in the flat and keeps his things in a locked cupboard which he moved here.

"He said he was in the stockbroking business."

Cambodia

Khmer Rouge Accepts Cantonment in 4-Week Process

BK1407082092 Hong Kong AFP in English 0818 GMT 14 Jul 92

[Text] Bangkok, July 14 (AFP)—The Khmer Rouge announced Tuesday it accepted that its forces be regrouped gradually in United Nations-controlled holding areas as the Phnom Penh regime is being dismantled.

In a statement issued here, Cambodia's strongest anti-government guerrilla force said it would accept the "regroupment and cantonment" of its forces in a four-week process.

The first 10 per cent of its force is to be regrouped during the first week after Phnom Penh's ministers and vice ministers of defence and public security step down, the faction said.

During the second week another 20 per cent will be regrouped after the foreign affairs and finance ministers and vice ministers go, and an extra 30 per cent in the third week following the stepping down of the minister and vice ministers of information.

The last 40 per cent of the Khmer Rouge force is to be regrouped during the fourth week after Phnom Penh's president, prime minister, National Assembly speaker and remaining ministers step down, the statement said.

Further on Khmer Rouge Troop Cantonment

BK1407114892 Hong Kong AFP in English 1059 GMT 14 Jul 92

[By Charles-Antoine de Nerciat]

[Excerpt] Bangkok, July 14 (AFP)—Cambodia's Khmer Rouge announced Tuesday they would disarm and put their entire guerrilla force in UN-controlled holding areas in four weeks, provided the Phnom Penh leadership was also dismantled at the same time.

The offer is an apparent bid to defuse international pressure against the radical Marxist group, which has so far blocked Cambodia's peace process by refusing to go along with a UN programme launched June 12 to demobilise and disarm 70 percent of the country's rival forces.

Until now the Khmer Rouge, the strongest of the guerrilla factions which fought Phnom Penh's Vietnam-installed government in a civil war which formally ended with the sigining of the Paris peace treaty last October, had demanded that the government be dissolved prior to the cantonment of its troops.

The faction's hardline stance had led to accusations that it wanted to destroy the peace process, and Western countries, led by France, have considered taking sanctions against them.

Diplomats familiar with developments in Cambodia said the latest Khmer Rouge offer looked like an attempt to stymie possible sanctions by suggesting a "reasonable" way of breaking the impasse.

In their statement issued here, the Khmer Rouge said they would accept the "regroupment and cantonment" of all their forces in a four-week process during which all the leaders of the Phnom Penh regime should also step down.

By offering to accept that its entire force be disarmed the Khmer Rouge are going beyond the UN requirement and therefore seemingly putting themselves in a position where they could make a concession, diplomats said.

"By presenting what looks like such a reasonable proposal the Khmer Rouge are trying to defuse growing international pressures against them," one diplomat said.

Their new proposal, he explained, would make it extremely difficult for countries like China and Thailand, the faction's main allies, to support a push for UN sanctions.

Under the Khmer Rouge scheme, the first 10 percent of the Khmer Rouge forces would come under UN control during the first week after Phnom Penh's ministers and vice ministers of defence and public security step down.

During the second week another 20 percent would be regrouped after the foreign affairs and finance ministers and vice ministers go, followed by 30 percent in the third week after the stepping down of the minister and vice ministers of information.

The remaining Khmer Rouge force would hand over its weapons during the fourth week after the Phnom Penh president, prime minister, National Assembly speaker and remaining ministers step down, the statement said.

"Along with those measures, it is necessary that within the Cambodia parties, consultative committees of the SNC be set up," the Khmer Rouge said.

The SNC or Supreme National Council was formed under the Paris accord with representatives of Cambodia's rival factions as a reconciliation body headed by Prince Norodom Sihanouk.

In keeping with the peace treaty, the SNC is to lead Cambodia to free and fair elections in mid-1993 [in] conjunction with the UN Transitional Authority in Cambodia (UNTAC).

The Khmer Rouge statement, dated July 12, made no mention of the other pretext which the faction had invoked to refuse the UN demobilisation scheme —the alleged presence of Vietnamese troops in Cambodia.

It is unclear if the Khmer Rouge plan has been formally presented to the UN peacekeeping force in Cambodia headed by Yasushi Akashi. [passage omitted]

Gains in Khmer Rouge's Political Strategy Viewed

BK1107010992 Bangkok BANGKOK POST in English 11 Jul 92 p 5

["Cambodian Diary" by Jacques Bekaert]

[Text] The Party of Democratic Kampuchea is gaining political ground all over the country, according to several reliable sources based in Cambodia. The present strategy of the Khmer Rouge—making a constant attack on the "Vietnamisation" of Cambodia and calling for the dismantling of the Phnom Penh government as part of the "de-Vietnamisation" of the country—appears to be working.

While in Phnom Penh a few months ago, I was somewhat surprised to hear a political remark from a Cambodian friend who lost several members of his family under Khmer Rouge rule. "I now wish the Khmer Rouge would participate in the governing of the country because otherwise there would be nobody to protect us against Vietnam and foreign economic invasion," he said.

Today, sources said, such reasoning is frequently heard in the capital.

Are the Cambodians falling in love with the people who 15 years ago were ready to destroy the nation in order to save it?

No, not really. But there is growing disillusion with other factions, especially with the ruling People's Party of Cambodia and the government.

I think the Khmer Rouge leadership is very well informed of the true feelings of the majority of the population. It is well aware of the existing suspicions over the presence of hundreds of thousands of Vietnamese settlers and the facility with Vietnamese travel across the border. I believe that Vietnam no longer has any "colonial" dreams over Cambodia. But Hanoi has little control over the movement of its own population.

To many Vietnamese, Cambodia is still an irresistible proposition. A land of opportunity. Border control or no border control, who cares! For every checkpoint there are dozens of other routes to cross the border. The sudden departure of all Vietnamese from Cambodia would probably lead to a minor economic catastrophe for both countries. For Vietnam because it is already hard pressed to find new jobs for its growing population, and for Cambodia because skilled Vietnamese labour is an essential part of the fragile economic infrastructure.

Nevertheless, suspicion does exist, and prejudices born of disastrous experiences of the past centuries mean that anyone hammering the Vietnamese nail is hitting a winning spot in Cambodia. The Khmer Rouge are experts at this game, and it pays. But where are these mysterious Vietnamese troops?

The military branch of UNTAC [UN Transitional Authority on Cambodia] is certainly willing to check the countryside if provided with reliable information concerning alleged foreign troop movements. A Khmer source—not a Khmer Rouge, far from it—told us recently: "We have to make a difference between Vietnamese soldiers and Vietnamese troops. The former are in uniform and they are not in Cambodia. The latter are dressed either as members of the Cambodian People's Army or live as civilians."

That indeed would be hard to check. One fact is certain: A growing number of Vietnamese settlers are arming themselves. Not to fight for a greater Vietnam, or for Hanoi's version of socialism. Certainly not. They merely want to protect their life and that of their family. They probably remember that it is not just the Khmer Rouge who do not like them. That it was the Republic of Lon Nol, the most pro-Western of all Cambodian regimes, which encouraged the massacre of thousands of Vietnamese civilians in the early Seventies. But I am sure that when a Cambodian sees a Vietnamese with a gun he will think of the mysterious underground Vietnamese military presence in Cambodia.

In any case, the success of a political campaign is rarely based on objective facts. The Khmer Rouge know what they are doing, and they keep attacking the Vietnamese presence in Cambodia.

The Khmer Rouge's political success is partly due to the declining popularity of the ruling party, according to Cambodian sources.

In the eyes of many Cambodians, the Phnom Penh regime's image is always tainted by the initial support it received from Vietnam. To many Khmers, this is an original sin. Very few Khmers are willing to believe me if I tell them that Hanoi, while certainly worried about Pol Pot, does not feel comfortable with Mr Chea Sim either. Hanoi does not pull many strings now in Cambodia.

The Phnom Penh regime could redeem itself by working to improve the well-being of the population. But few Cambodians are ready to believe that will happen. They remember the days, not so long ago, when political education was more important than letting doctors attend the sick. A growing number of honest PPC [Cambodian People's Party] members are appalled at the greed, corruption and lack of social concern of many leaders.

Every time a citizen is forced out of his or her house, every time a peasant woman is raped by soldiers of the Cambodian People's Armed Forces, every time buffaloes are stolen, the Khmer Rouge win hearts and minds. They know they can afford to ask for the dismantling of the Phnom Penh government. It is a popular demand. One can argue that the Paris agreement gives considerable power to the Supreme National Council, and not to the Phnom Penh government. But such reasoning, which is perfectly valid, is of no great concern to the majority of the Cambodian population.

Some people may agree with the Khmer Rouge that the Phnom Penh administration must be "depoliticised" in order to ensure a free and fair election, but the Khmer Rouge administration itself is hardly neutral.

The peace process remains vital to the future of the country. But a lot of Cambodians are discovering that the United Nations, no matter how well meaning, has no mandate to protect them against the arbitrary behaviour of so many people in power. If they have little respect and love for the Phnom Penh regime, the Khmers are also beginning to lose faith in the UNTAC.

Unfair? Maybe, because UNTAC's mandate is already an impossible one. But life has hardly been fair to the majority of the Cambodians during the past 25 years.

Son Sann Explains Stand at 8 Jul SNC Meeting

BK1407072592 (Clandestine) Voice of the Khmer in Cambodian 0430 GMT 14 Jul 92

[Text] His Excellency Son Sann, president of the Khmer People's National Liberation Front, chairman of the Buddhist Liberal Democratic Party, and member of Cambodia's Supreme National Council [SNC], recently granted an interview to a representative of the Voice of the Khmer in Phnom Penh. He said that during the 8 July SNC meeting he proposed that verification of the withdrawal of Vietnamese forces from Cambodia and adherence to the second phase of the peace plan should be carried out simultaneously. During that SNC meeting, H.E. Son Sann urged UNTAC [UN Transitional Authority in Cambodia] to verify that all illegal Vietnamese forces have been withdrawn from Cambodia. He said it would be an injustice if the Vietnamese were given the right to vote and overseas Cambodians, who fled the country because of the Vietnamese aggression, were not. He did not agree with the criterion of the electoral law, which requires that overseas Cambodians must register in person in Cambodia, and stressed that it would not be possible for them to comply with that requirement.

H.E. Son Sann demanded that the problem about the Cambodian-Vietnamese border—the latter having been moved into Cambodian territory in both inland and coastal areas—be settled before the elections. Concerning the question about respect for the Cambodian peace accord, H.E. Son Sann appealed to the Cambodian factions to agree to disarm and asked for the verification of the Vietnamese forces's withdrawal from Cambodia at the same time so that true peace can return to Cambodia as soon as possible.

During that SNC meeting H.E. Son Sann also proposed that a foreign aid committee be set up to oversee aid usage so that foreign aid to Cambodia is correctly spent and actually reaches the people, because so far it has been widely misused.

6 Jul Khmer Rouge Military Activities Outlined

BK1407054392 Phnom Penh SPK in French 0409 GMT 14 Jul 92

[Text] Phnom Penh 14 Jul (SPK)—Five passengers were killed on 6 July in a Khmer Rouge attack on a public transport vehicle in Kbal Damrei Commune, Sambo District, Kratie Province, north of Phnom Penh, according to the Commission for Military Coordination with the UN Transitional Authority in Cambodia.

The source added that five other passengers were wounded—excluding many persons who were reported missing—and that on the same day four Polpotists attacked another vehicle in a sector between the provincial seat and Siempang District and took away 500,000 riels [Cambodian currency].

Furthermore, on the same day at 1200, local time, a group of Khmer Rouge from Division 802 attacked a government position in Kon K'ek hamlet, Kompong Svay District, Kompong Thom Province, killing one and wounding two, according to the same source.

KPNLF Suggests Ways To Solve Impasse

BK1107144392 (Clandestine) Voice of the Khmer in Cambodian 0430 GMT 11 Jul 92

[Editorial of the Khmer People's National Liberation Front's, KPNLF, 27 June bulletin entitled: "What Are the Ways To Solve the Present Problem in Cambodia?]

[Text] In the wake of the Khmer Rouge of Democratic Kampuchea's [DK] adamant attitude in refusing to execute the second phase of the cease-fire, the implementation of the peace accord is at a stalemate. Both the Cambodian people and international community have expressed grave concern for peace in our country. So, what should be done to solve the current crises?

The DK Khmer Rouge is a party, which has, at every meeting, demanded that all the parties accept the accord formed by the permanent members of the UN Security Council. The signing of the accord on 23 October 1991 in Paris is a collective victory for the international community and all Cambodian parties, especially the three resistance groups. Although the Phnom Penh and Vietnamese parties persistently tried to modify the accord before it was signed, the international conference ultimately did not heed their proposals.

Before the application of the accord, all the Cambodian parties had resolved to abide by and to execute the accord 100 percent. And for its implementation, the Supreme National Council [SNC] and the UN Transitional Authority in Cambodia [UNTAC] as well as administrations of the Khmer People's National Liberation Front [KPNLF], National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia [FUNCINPEC], DK, and the State of Cambodia [SOC] are needed. If the Cambodian parties had the intention to respect the accord, they would not have allowed their governments to continue operating. They, however, can proceed with their respective administrations within this spirit.

For its part, the resistance movement immediately halted the functions of the National Government of Cambodia, the coalition tripartite government, as it believes the SNC is the sole and supreme state body during the whole transition period. Nevertheless, although the National Government of Cambodia ended its duty on 23 October 1991 when the Paris peace accord was signed, this does not mean that the tripartite government has been dissolved. Each party's institutions are supposed to continue with their normal activities in areas under their respective control in the areas of administration, police, the judiciary, health, the economy, and national education, and so on. So we, the resistance movement, want to see the SOC side implement the accord as we have done, meaning the SOC Government should cease to exist. But, the SOC's institutions, offices, and departments are still able to continue their tasks within the framework of the Paris accord.

Normally, the administrations of the four factions—the KPNLF, FUNCINPEC, DK, and SOC—should stop receiving orders from their respective political parties. They should, in the performance of their tasks, only accept orders or advice from the SNC and UNTAC. Only by doing so can the political climate in the country be neutral.

So far, everyone acknowledges that a neutral political environment does not exist in our country. By all appearances, there has been increasing cases of intimidation by the ruling party or its officials. Members of the other political parties, which are placed under the authority of the ruling party, have been subject to frequent harassment or removed from their positions. Our party members who are teachers, professors, or civilian or in the military working under the SOC's authority have been sacked, threatened, or arrested on the charge of betraying the people's party or being the enemy of the party. Meanwhile, senior leaders of the SOC and the people's party have announced that they respect human rights and freedom and a liberal democratic multiparty system. If they really respect the multiparty system, presidents, chiefs, or ordinary employees at the various SOC departments should be free to enroll as a member of our party or any other party without any retaliation. Likewise, officials at all levels from our side are completely free to become members of the people's party or any other party.

To create a neutral political environment, the SNC and UNTAC should be empowered to give orders and to remove or transfer the staff of the four administrations, according to the procedures of the accord. Also, the four administrations should no longer be placed under the authority of any party as before. This is the first step towards solving the current crises.

Another issue that frustrated the application of the accord is the presence of the Vietnamese in Cambodia. This issue has been repeatedly raised in our bulletin while the Vietnamese Embassy has made denials through the SOC's radio and television, saying that the Vietnamese have been already withdrawn from Cambodia since September 1985. Actually, a growing number of the Vietnamese are being seen in Cambodia as civilians. Some hold Cambodian identity cards and work in the SOC's army, offices, or departments while others are workers, construction workers, sewing machinists, photographers, mechanics, coffee shop owners, dance hall owners, restaurant owners, fishermen, small or big merchants, or prostitutes, and so on.

The presence of countless Vietnamese have created a crises in Cambodian society, specifically when troops are being demobilized. Former Cambodian soldiers, who need jobs to earn a living, will face obstacles because all the professions have already been taken by the Vietnamese. The KPNLF party has raised this issue at every SNC meeting. It has proposed that the issue of Vietnamese citizens be seriously tackled and that necessary measures be taken to differentiate Vietnamese workers from hidden Vietnamese soldiers or terrorists. This is to make the Vietnamese understand that they are not the owners of the country and that they have to abide by Cambodia's regulations.

We still believe that Vietnamese troops are continuing to implant themselves among Vietnamese civilians. Our definite stance is that Vietnamese troops and citizens who have entered our country illegally must leave our territory.

The measures we have proposed at SNC meetings are designed to solve the present crises. Our side's stance is different from the Khmer Rouge's position since we have agreed to respect the UNTAC in the course of the accord's implementation and we have also suggested ways to help them succeed in their mission. As for the party of Democratic Kampuchea, it has adamantly refused to carry out these measures worked out by UNTAC.

As always, we believe that our country's considerable interest is peace, and peace can only emerge if the accord is meticulously respected. In this context, the UNTAC's mission is vitally important for peace and development of our country. It is not right to create obstacles for them since their victory is also our success, the success of the entire Cambodian people. This success represents the victory of peace over war or victory of development over national destruction.

Once again, we wish to appeal to all the parties to meticulously respect the Paris accord and to fully cooperate with UNTAC. This is the only way to bring about peace and happiness to our nation.

KPNLF Urges Close Cooperation With UNTAC

BK1407100392 (Clandestine) Voice of the Khmer in Cambodian 0430 GMT 14 Jul 92

[Editorial from 11 July bulletin of Khmer People's National Liberation Front, KPNLF: "Peace or War?"]

[Text] The peace accord once again ran into an obstacle when the Khmer Rouge refused to take part in the second phase of the cease-fire. This has put the implementation of the peace accord into doubt. The new situation in Cambodia now stems from the possibility that peace might happen or the war might break out again.

The international community has paid special attention to the fate of the Cambodian people, who have suffered for more than 20 years. Following hard and long bargaining, an international conference was finally organized in Paris in July 1989 and achieved definitive success on 23 October 1991 when the long-awaited peace accord was signed. The accord implementation began with the dispatches to Cambodia of UN troops and civilian personnel known as UNTAC [UN Transitional Authority in Cambodia].

The international community has resolved to provide a means worth nearly U.S.$6 million daily for UNTAC to keep peace in Cambodia. Currently, there are about 14,000 UNTAC troops and civilian personnel are also being deployed in various provinces. UNTAC has so far sent provincial governor-level personnel to 20 provinces. Police forces will also be deployed in different regions of the countryside in the near future. The generosity of the international community toward the Cambodian people was once again demonstrated on 22 June in Tokyo. For the reconstruction of Cambodia, the United Nations had asked for an aid worth U.S.$600 million only, but the Tokyo conference decided to grant as much as $800 million to Cambodia. This shows the great concerns of the international community to help Cambodia rebuild its happiness and prosperity like the other nations.

The implementation of this accord, indeed, needs the cooperation of the United Nations and other countries. But the Cambodian factions, before anyone else, have the duty to bring about peace for our Cambodian people. The implementation of the accord is aimed both at verifying the presence of foreign forces in Cambodia and realizing reconciliation among all Cambodian factions in order to create a neutral political ambience to enable the Cambodian people to exercise their right to self-determination, that is, to hold a correct and free election in 1993. If we Cambodians do not pay any attention to the implementation of this accord, we should not expect the international community to remain tirelessly committed to helping Cambodia forever. On the contrary, if we Cambodians endlessly keep creating obstacles to the implementation, the international community will surely get fed up and stop helping us because there are many other problems in the world that need urgent solutions and billions of dollars. Therefore, if they fail to correctly implement the accord, the Cambodian factions will be the ones fully responsible. The international community is not to be blamed. And the direct victims of the failure in the accord implementation, the main losers in the withdrawal of the international aid will be none other than our innocent compatriots—the farmers, peasants, petty functionaries, and students whose only fault is wishing to live in peace in Cambodia.

Concerning the verification of foreign forces, all Cambodian factions should closely cooperate with UNTAC in carrying out its duties. They should not create any obstacle that would impede the peace-building process. There is a Cambodian faction that directly benefits from the application of a foreign country's policy permitting its people to come and live in Cambodia or to conduct military, intelligence, or terrorist operations. These takers of the aliens' orders should be brave enough to take concrete measures so that we Cambodians will become the masters of our own country again. Only then will they be known as having cooperated in implementing the accord to an important extent and in the interest of the Cambodian people as a whole. Besides, the ruling faction should strive to create a neutral political ambience by ceasing to abuse and intimidate the people or its subbordinates, giving them instead full freedom to conduct all kinds of peaceful political activities within the purview of all fundamental human rights.

As for the Khmer Rouge of Democratic Kampuchea responsible for the misrule of three years eight months and 20 days—from 17 April 1975 to 7 January 1979—they also must also act to enable the Cambodian people to see that they sincerely want peace in Cambodia and truly wish for the prosperity of the country by closely cooperating with UNTAC in implementing the accord. They must not create any obstacle to impede the peace process. They can discuss anything with UNTAC any time they wish, for UNTAC has only recently started its operations. The Khmer Rouge of Democratic Kampuchea should show the people and assure them that they have no intention of seizing power, that their activities are merely to help the Cambodian people recover their full sovereignty, and that they will hand rights and freedom back to the Cambodian people.

At the present, the Cambodian people's interest in peace is a peace that stems from the implementation of the accord. Therefore, it is understandable that the Cambodian people do not wish to see war continue in Cambodia. They want to live freely in peace. Once more, we would like to appeal to all Cambodian factions that have always claimed to cherish the nation and the people to please show in concrete actions their nation-and people-serving pledges.

The Cambodian problem can be settled peacefully with the assistance of the international community. If the Cambodian factions create an obstacle to the United Nations, the international community will surely be fed up and stop helping us. Without the assistance of the international community, our country will be plunged into the devastating war forever. What do we want to have, peace or war?

Chea Sim in PRC, Discusses Implementing Accord

BK1307135192 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 1200 GMT 13 Jul 92

[Text] In its visit to the PRC on 12 July, the top delegation of the State of Cambodia [SOC] headed by His Excellency Chea Sim, chairman of the Cambodian People's Party [CPP], of the National Assembly, and of the Kampuchea United Front for National Construction and Defense [KUFNCD] National Council, held separate talks with H.E. Qian Qichen, member of the Chinese State Council and minister of foreign affairs, and H.E. Li Peng, prime minister of the PRC. In the talks, H.E. Chea Sim deeply thanked the PRC Government for the warm reception of his delegation. He expressed great delight at the PRC's achievements, particularly in the liberalization policy adopted by the Chinese party and government. He also briefed the Chinese leaders on the latest developments in the Cambodian situation in implementing the Paris peace accord. He stressed that the SOC faction has implemented the accord most scrupulously and is creating favorable fundamental conditions for its further implementation, such as by sincerely creating conditions for the glorious national reconciliation mission of His Royal Highness Prince Norodom Sihanouk, father of the nation, head of state, chairman of the Supreme National Council, and father of national reconciliation.

H.E. Chea Sim also informed the top Chinese leaders of a number of difficulties encountered as a certain faction has not clearly shown its readiness to join other factions in implementing the accord. H.E. Chea Sim stressed that this has threatened the peace process in Cambodia and runs counter to the wishes and desires of the Cambodian people. In this context, H.E. Chea Sim also expressed his optimism and confidence that UNTAC [UN Transitional Authority in Cambodia], the five major countries, including the PRC, and the international community will double their efforts to help eliminate the existing obstacles and difficulties.

On Sino-Cambodian relations, H.E. the chairman talked about the time-honored traditional contacts between the Cambodian and Chinese peoples. He also highly appreciated great China's sincere attitude in wanting to see real peace and stability return to Cambodia. H.E. Chea Sim deeply thanked the PRC Government for actively contributing to the peace process in Cambodia and for sending its engineer corps to take part in UNTAC's operations. He said he hopes great China will play an even more important role in promoting peace in Cambodia.

The Chinese leaders welcomed H.E. Chea Sim's friendly views and noted that, thanks to the efforts of all Cambodian factions, the implementation of the Paris accord is progressing despite some difficulties. The top Chinese leaders also stressed that China will do everything to contribute to the successful implementation of the accord. They added that the Chinese Government will not support any faction that does not implement the accord, and that it highly values the 23 October 1991 Paris peace accord. They further emphasized that the Chinese Government supports all Cambodian factions that implement the accord. They also said that the second phase of the cease-fire is the key to the implementation of the Paris accord, and expressed confidence that all Cambodian factions will succeed in settling the current problems and move toward agreeing with one another and achieving national reconciliation, which is the aspiration of the entire people.

H.E. Chea Sim affirmed that the current difficulties are a problem between a faction and UNTAC and the international community. This is because that faction has behaved and is behaving in a way contrary to the Paris accord.

The top leadership of the PRC Government recalled the traditional bonds of friendship between the Chinese and Cambodian nations and peoples, and stressed that the difficulties that once plagued their bilateral relationship have become things of the past with the signing of the Paris peace treaty.

The talks proceeded in a very friendly and frank atmosphere. On the same evening H.E. Qian Qichen hosted a reception in honor of our top delegation.

It is to be noted that besides visiting Beijing and the Great Wall, the SOC delegation headed by H.E. Chea Sim, chairman of the CPP, of the National Assembly, and of the KUFNCD National Council, also toured Shanghai. There he held talks with Mrs. Xie Lijuan, vice mayor of the Shanghai Municipal People's Government, and visited a number of industrial and agricultural centers in Shanghai.

After completing his visit to the PRC on the morning of 13 July, the top delegation of the SOC headed by H.E. Chea Sim left Beijing by a special Air Cambodia plane and arrived in Phnom Penh in the afternoon. Greeting them at Pochentong Airport were H.E. Hun Sen, vice chairman of the CPP Central Committee and chairman of the Council of Ministers of the SOC, together with other Standing Committee members of the CPP Central Committee, such as H.E. Sar Kheng, vice chairman of the Council of Ministers and minister of the interiod; H.E. Say Chhum, standing vice chairman of the Council of Ministers; H.E. General Tie Banh, vice chairman of the Council of Ministers and minister of national defense; H.E. Nguon Nhel, minister of agriculture; Mrs. Men Sam-an, chairman of the Federation of Cambodian Trade Unions; H.E. Ney Pena, vice chairman of the Control Commission of the CPP Central Committee; H.E. Gen. Pol Saroeun, deputy minister of national defense and chief of the General Staff of the Cambodian People's Armed Forces [CPAF]; and H.E. Gen. Ke Kimyan, first deputy minister of national defense and chief of the General Political Department of the CPAF. Also present were Prince Norodom Chakkrapong, vice chairman of the Council of Ministers of the SOC, and many members of the CPP Central Committee, ministers, deputy ministers, department chiefs and deputy chiefs of various ministries and offices, as well as a large number of other officials and personalities.

H.E. Fu Xuezhang, representative of the diplomatic mission of the PRC, and the representative of the Embassy of the People's Democratic Republic of Korea to Cambodia, were also on hand to welcome the delegation.

Addressing local and foreign journalists at Pochentong Airport, H.E. Chea Sim stressed that his visits to Korea and China were successful in terms of enhancing mutual understanding. He added that during the visit he discussed the search for peace in Cambodia so that all Cambodian factions will fully respect and implement the Paris peace accord.

Hun Sen Receives Canadian Defense Official

BK1407041592 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 1300 GMT 13 Jul 92

[Summary from poor reception] His Excellency [H.E.] Hun Sen, chairman of the State of Cambodia's Council of Ministers and member of the Cambodian Supreme National Council, received on 12 July Mary Collins, Canada's associate minister of national defense, who is on a visit to Cambodia.

On behalf of the Cambodian people, H.E. Hun Sen thanked the Canadian Government and people for their assistance. Hun Sen talked about the Khmer Rouge's unreasonable demands which are hindering the implementation of the Cambodian peace agreement. He said it is time the UN Security Council adopted a resolution imposing sanctions against the Khmer Rouge.

Sihanouk Meets Canadian Delegation

BK1407055992 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 0430 GMT 14 Jul 92

[Text] His Royal Highness [HRH] Prince Norodom Sihanouk, Cambodia's head of state and chairman of the Cambodian Supreme National Council, received a delegation from the Canadian National Defense Ministry led by Mary Collins, associate minister of national defense, during a courtesy call on 12 July at 1700 at Khemarin Palace.

Mary Collins was cordially and most warmly welcomed by HRH Prince Norodom Sihanouk. The talks focused on major issues relating to new developments in the Cambodian situation. The prince said that the implementation of the Paris agreement on Cambodia is facing complex difficulties, which demand a solution so that stability can be restored to the Cambodian peace process. The prince, as head of state, also expressed his joy at the visit by Mary Collins to Cambodia, considering it as a contribution to the development of relations between Cambodia and Canada.

HRH Prince Norodom Sihanouk profoundly thanked and welcomed Canadian troops taking part in the peacekeeping forces in Cambodia.

Vice Premier Receives North Korean Vice Minister

BK1407033392 Phnom Penh SPK in French 1121 GMT 13 Jul 92

[Text] Phnom Penh 13 Jul (SPK)—"The State of Cambodia firmly supports the Nonaligned Movement (NAM) and will do all it can to promote its role and development," affirmed Prince Chakkrapong, vice chairman of the State of Cambodia's Council of Ministers on 10 July. He received Choe Su-hon, North Korean Vice Minister of Foreign Affairs, in Phnom Penh.

"Prince Norodom Sihanouk will attend the NAM summit to be held in Jakarta next September," stressed the Cambodian vice premier, who briefed his guest on the implementation of the second phase of the Paris peace plan, which is facing difficulties following the refusal by the Khmer Rouge to take part in it.

He also praised the good progress in the relations of friendship and solidarity between the two countries and pledged to strengthen them.

The North Korean vice minister said that the DPRK unreservedly supports the national reconciliation policy of Prince Norodom Sihanouk, Cambodia's head of state and chairman of the Supreme National Council, especially his proposals recently put forward at the conference in Tokyo on Cambodia's rehabilitation and construction.

The North Korean delegation left Phnom Penh on [number indistinct] July.

Indonesia

Japan's Apology on 'Comfort Women' Welcomed

BK1307160292 Hong Kong AFP in English 1002 GMT 13 Jul 92

[Text] Jakarta, July 13 (AFP)—Jakarta Monday said it welcomed a recent apology by Tokyo over the use of Southeast Asian "comfort women" by Japanese forces during World War II but called for a comprehensive investigation on the issue.

Jakarta "welcomes the admission of the Japanese government and its apology for what the Japanese government and soldiers did during World War II, that is mobilizing women from various Southeast Asian nations, including Indonesia, to act as comfort women," a Foreign Ministry press release said.

The press release said Indonesia tends to be "forward looking" and not "chained to the past" but stressed that the honor of the comfort women could never be restored, whatever the Japanese government did.

However, the Indonesian government called on Tokyo "to continue its investigation comprehensively and take actions proportionate to the seriousness of the human rights violation by its soldiers during World War II."

The release also said Jakarta believed the number of comfort women from Indonesia exceeded the 225 people the investigation have so far found to be involved in the scheme, saying that the count was only based on the content of four letters.

The Japanese imperial forces during the last World War, forced women from various Asian countries it occupied to act as comfort women, or forced prostitutes, for the troops.

Nonaligned Summit Not To Neglect Problems

BK1007113192 Jakarta ANTARA in English 1044 GMT 10 Jul 92

[Text] Mataram, W. Nusatenggara, July 10 (OANA-ANTARA)—Foreign Minister Ali Alatas has stated that the Nonaligned Movement (NAM) gives priority to economic and development affairs but does not reduce its attention to international security and political problems.

It is wrong and risky to focus efforts to foster consensus among the NAM member countries on economic problems only, the minister said in his written address to the 36th plenary session of the Press Council in West Lombok, West Nusatenggara here Thursday evening.

In his speech on Indonesia's position and role as the host of the 10th NAM summit and chairman of the movement for the 1992-1995 period, Alatas disclosed that political and security problems will remain a focus of attention.

According to the minister, one of the important and urgent items on NAM's agenda is how the organisation can enhance its role in realizing the new world order.

He said that the United Nations as a multilateral institution is an effective forum which enables NAM to make concrete contributions to control development and other global problems.

NAM's role and position in the future are therefore firmly related to those of the United Nations.

The minister pointed out that efforts should also be made to overcome the gap in the new world information order between the developed and developing countries.

If NAM wishes to maintain its relevance in the rapidly developing and changing world, we can no longer be passive about the new global problems, he noted.

In addition, NAM should make its position on global problems clearer and should have a unified opinion on these issues.

The movement should also continue to improve its efficiency through simplification and rationalisation of its meeting procedures, work mechanism, and coordination, he said.

Role in International Arena Viewed

BK1407050292 Jakarta ANTARA in English 0400 GMT 14 Jul 92

[Text] Mataram, July 14 (OANA/ANTARA)—Foreign Minister Ali Alatas has said that some views have been expressed within as well as without the Nonaligned Movement (NAM) questioning the movement's raison d'etre for its global materialisation in the present world constellation and developments.

In a written address on Indonesia's role and position as host of the 10th NAM summit and chairman of the movement for the 1992-1995 period to the 36th plenum of the Press Council held at Senggigi Beach Hotel in Mataram, West Lombok Regency on July 9 and 10, Alatas said the constellation has long changed from a bipolar framework between the two major powers, viz. the United States and the former Soviet Union, into a multipolar framework, with the emergence of new power centres. The new power centres, he added, include the People's Republic of China, Japan, and Western Europe.

All these developments, (?Minister Ali Alatas) pointed out, did not merely mean not siding with any major political bloc, but its essence particularly lies in its positive stance in trying to reduce or stem the intensity of the conflict and competition between the major power blocs by offering alternative approaches to the solution of world problems.

NAM tried to contribute to the establishment of a new international order and relations on the basis of freedom, lasting peace, justice, and social welfare through the enhancement of friendship and international cooperation without political or economic discrimination.

In another part of this speech, the minister said there have also been certain circles suggesting that NAM should merge with the group of developing countries now popularly known as Group 77, thus forming an even larger group. He said this idea was based on the premise that all the developing countries should join hands in solving the economic and development problems they were facing at present.

As far as Indonesia and most NAM member countries were concerned, Alatas pointed out such idea was obviously "wrong," considering that the two forums were different in function, essence, and aims.

He explained that NAM is a movement operating on the basis of clearcut political principles with political, economic, and social as well as cultural aims, while Group 77 was merely a forum for negotiations among the developing countries on economic and development issues vis-a-vis the industrialized nations. Even in this context, he said, the main ideas and strategy of the struggle of Group 77 were almost fully conceived and formulated by the NAM member countries, which actually form the majority and nucleus of Group 77.

For these reasons, Alatas said, the nonaligned ministerial meeting held in Accra recently failed to reach agreement on the merger proposal and instead it was decided to explore the possibility of a more effective and efficient joint coordination mechanism between the two forums, Alatas concluded.

SRV President To Attend Summit

BK1407034092 Jakarta ANTARA in English 0313 GMT 14 Jul 92

[Text] Jakarta, July 14 (OANA/ANTARA)—Vietnamese President Vo Chi Cong will attend the Nonaligned summit in Jakarta in September, Interparliamentary Coordinating Board (BKSAP) said in its report here on Monday.

The BKSAP report, which was read out by Suseno in a parliamentary session chaired by Deputy House Speaker Saiful Sulun, also mentioned that Vietnamese Premier Vo Van Kiet had also welcomed Indonesia's chairmansip of the movement, saying world developments were posing challenges which had to be solved jointly by NAM [Nonaligned Movement] member countries.

The report also disclosed the Vietnamese view over the important role played by Indonesia in Southeast Asia, NAM, and in the world political arena. Indonesia has showed its effective role in the Cambodian peace efforts and in creating stability and development in the region. Vietnam also sees Indonesia's effective initiative in opening dialogues between Vietnam and ASEAN.

As neighbouring countries, the traditional relations between the two nations have been developing well and have entered a new phase following President Suharto's visit to that country in 1990 and Vo Van Kiet's visit to Indonesia in 1991. The BKSAP viewed the new phase of cooperation as beneficial for the interest of stability and prosperity of the two nations and states.

One of the priorities in Vietnamese foreign policies is to foster good ties with Indonesia, according to the BKSAP report. Vietnam also appreciated Indonesia's assistance which sent experts to that country, it said.

A group of Indonesian parliamentary delegation visited Vietnam recently.

Government Announces Further Economic Reforms

BK1407031392 Jakarta THE JAKARTA POST in English 7 Jul 92 p 1

[Text] Jakarta (JP)—The government yesterday removed non-tariff barriers to imports of 241 categories of goods, further simplified procedures for investment licensing and for expatriate work permits, and gave permission for foreign joint ventures to hold land titles.

These steps are stipulated in a new major package of deregulation measures which was announced yesterday by Coordinating Minister for Economics, Financial and Industrial Affairs Radius Prawiro immediately after he and other economics ministers reported on the new moves to President Suharto.

"These measures are designed to further improve the efficiency of our economy and to spur domestic and foreign investment activities," Radiu told newsmen.

Similar to the June, 1991 package of reform measures, the latest policy package, contained in 13 rulings, was announced about one week before the meeting of Indonesia's creditor group—Consultative Group for Indonesia [CGI]—in Paris on July 16-17.

However, Radius reaffirmed that the introduction of the new measures has nothing to do with the forthcoming inaugural meeting of CGI.

CGI, which will be chaired by the World Bank, will replace the Inter-Governmental Group on Indonesia which was dissolved in March after the Indonesian governement refused further official aid from the Netherlands.

The latest measures abolished state-owned PT [company limited] Krakatau Steel's monopoly on the imports of 35 categories of steel products by allowing industrial users to import those items.

The non-tariff barriers to imports of 241 categories of goods were completely removed so that there are now only 464 categories (postal tariffs) of commodities still subject to non-tariff barries.

But 226 of the 241 new categories of items now subject to import tariff barriers are related to batik (Indonesian traditionally made cloth), 12 cover farm commodities and the other three are mineral water, metal goods and electricity transformers.

The package also decreased the number of items subject to import surcharges from 400 categories of goods to 255 categories with surcharges ranging from five to 35 percent.

Included among the items freed from import surcharges are steel pipes and nail wire, 27 categories of food and beverages, 19 categories of motorbike and car tires and 51 categories of metal goods.

However, the widely-expected automobile import liberalization was not included in the new package.

"We are still deliberating deregulation measures in the automotive industry because of the many aspects and interests involved," Radius said.

He argued that deregulation of the automotive industry does not involve only technical matters but also government revenues fom import duties and value added tax.

"The automotive industry will be included in the next package of reform measures," Radius said.

In the new measures the government also will allow imports of used machinery, plant equipment and other kinds of capital goods for reconditioning, or for use, except several categories, including steam boilers, hand tractors, automobiles and diesel engines.

"This measure will greatly help our small and medium-scale firms to increase or diversify their production lines," Minister of Industry Hartarto said.

The package also reduced the number of business areas closed to foreign investors from 60 to 51, but only six of the 51 business areas stipulated in the 1992 negative list of foreign investments are wholly closed to foreign investors.

The other 45 business fields such as milk processing, cooking oil, plywood, heavy equipment, and automobiles are still open to foreign companies under certain conditions related to location, export and some other terms.

The licensing procedures for expatriate workers were much simplified. Under the new system, work permits for expatriates can be issued by the Provincial Investment Coordinating Board (BKPMD) or by the provincial offices of the manpower ministry (especially for investment projects not administered by BKPM [National Investment Coordinating Board]) and by the provincial offices of the Ministry of Tourism, Post and Telecommunications especially for hotels and restaurants.

Under the new system, expatriate work permits can be issued within four days after application as long as the occupations applied for are still open to foreigners.

The new measures also allow foreign (Indonesia-foreign) joint ventures to hold land titles (right to exploitation of land) and to use land titles for collateral for bank loans.

Land titles are valied for 30 years and are extendible by 25 years if the joint ventures continue to operate.

Foreign investment companies which obtained land titles based on the 1966 Cabinet ruling can have their land titles extended after they change their business status into joint venture (no longer wholly-foreign owned subsidiaries).

The new measures also abolished four permits previously required by investors—permits for the exploitation of raw materials, for exports, for domestic purchases and for the trading of servies—so that BKPM now issues only four permits: Business licenses, limited import licenses, tax and import-duty relief licenses and expatriate work permts.

Procedures for obtaining permits related to land acquisition, location, building and public nuisance were also much simplified.

Investors who have obtained the necessary permits form BKPM can immediately obtain location permits from the provincial governors, right of exploitation and right of building for land from the National Land Agency or its provincial offices and building and public nuisance permits from the regent or mayor.

Laos

Kaysone, Khamtai Greet Mongolian National Day

BK1107105492 Vientiane KPL in English 0852 GMT 11 Jul 92

[Text] Kaysone Phomvihan, president of the Lao People's Democratic Republic, and Prime Minister Khamtai Siphandon have jointly sent a telegram of greetings to President Punsalmaagiyn Ochirbat of Mongolia and Prime Minister Dashiyn Byambasuren on the occasion of the 71st National Day of Mongolia.

The Lao leaders, on behalf of the Lao Government and people, extended warm congratulations and best wishes to the two Mongolian leaders and through them to the Mongolian Government and people.

They expressed conviction that the friendly ties and cooperation between Lao and Mongolian people be consistently developed for the benefit of the two peoples, and for peace, stability, and cooperation in Asia and the world over.

On the same occasion, Lao foreign minister also sent a telegram of the same nature to his Mongolian counterpart.

Kaysone Receives Outgoing Egyptian Envoy

BK1307133492 Vientiane KPL in English 0858 GMT 13 Jul 92

[Text] Vientiane, July 13 (KPL)—President Kaysone Phomvihan, on July 11, received at the presidential palace Egyptian Ambassador to Laos Mr. Mustafa Hasan Abu-Sunayf, who is about to end his mission here.

Lao President Kaysone Phomvihan, on the occasion, praised the good work done by the ambassador in so far as consolidating and expanding the long-standing relations between the two countries. The Lao president, on the other hand, conveyed through Mr. Mustafa Hasan Abu-Sunayf greetings and best wishes of success in the national building to the government and people of Egypt.

Mr. Mustafa Hasan Abu-Sunyaf has assumed his post as Egyptian ambassador extraordinary and plenipotentiary to the Lao PDR [People's Democratic Republic] since January, 1991.

Nouhak Phoumsavan Meets Outgoing French Envoy

BK1107023092 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 10 Jul 92

[Text] Nouhak Phoumsavan,, Supreme People's Asembly [SPA] chairman, received Daniel Dupont, French ambassador extraordinary and plenipotentiary to Laos this afternoon at the Reception Room of the SPA. Mr Dupont has completed his diplomatic mission here after serving his term for more than two years from 5 February 1990 to 1 July 1992.

The conversation between the host and the guest was held under an atmosphere of friendship and good will. Nouhak Phoumsavan hailed the French envoy for successfully accomplishing his diplomatic mission in Laos, wishing him success in performing his new duty and a safe trip home.

DPRK Foreign Ministry Group Arrives 12 Jul

BK1307131692 Vientiane KPL in English 0923 GMT 13 Jul 92

[Text] Vientiane, July 13 (KPL)—A Foreign Ministry delegation of the DPR [Democratic People's Republic] of Korea led by its deputy minister, Choe Su-hon, on July 12 arrived here for a three-day working visit to Laos.

Welcoming the delegation at the airport was Mr. Soulivong Phasitthidet, Lao deputy foreign minister. Also on hand was Mr. (Kim Chun-nam), charge d'affaires a.i. of the DPRK Embassy.

Military Delegation Leaves for Visit to PRC

BK1407101792 Vientiane Vitthayou Hengsat Radio Network in Lao 0430 GMT 14 Jul 92

[Text] The delegation of the Lao People's Army [LPA] General Political Department, led by Lieutenant General [Lt. Gen.] Osakan Thammatheva, member of the party Central Committee, deputy minister of national defense, and chief of the LPA General Political Department, departed for a seven-day friendship visit to the PRC on the afternoon of 12 July.

Seeing the delegation off at Wattai airport were Lt. Gen. Ai Souli-gnaseng, member of the party Central Committee, deputy minister of national defense, and chief of the LPA General Staff Department; Major General [Maj. Gen.] Chanko Phimmason and Maj. Gen. Soulima Bounleut, deputy chiefs of the LPA General Political Department; and several military officers attached to the LPA General Political Department.

PRC Ambassador Huang Guocai and Colonel (Li Laichen), military attache to the PRC Embassy in Laos, were also on hand to bid farewell to the delegation.

UNHCR, Netherlands Aid Refugee Training Center

BK1107152892 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 11 Jul 92

[Excerpt] The United Nations High Commissioner for Refugees [UNHCR] and a Dutch private organization for refugees handed over more than 20 million kip worth of aid to the Vientiane Municipality Occupational Training Center on the morning of 10 July. Of this number, 16 million kip worth of items were from the

UNHCR. They included teaching and learning equipment, tools such as typewriters and sewing machines, and other machines.

The aid items from the Dutch private organization were worth a total of 5 million kip. They included 11 English-language typewriters. This was the second time the organization gave aid items to this training center.

The UNHCR has assisted the Vientiane occupational training center since 1985 with its main purpose of promoting employment for repatriated Lao refugees and unemployed Lao youth. [passage omitted]

Border Committees With Thailand Meet 9 Jul

BK1107030192 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 10 Jul 92

[Text] A meeting was held between the provincial-level general border peace-keeping committees of Bolikhamsai Province and Thailand's Nong Khai Province on the morning of 9 July at the municipal meeting hall of Bolikhamsai Province. The committee of Bolikhamsai Province was headed by Bouathong Phounsalit, deputy provincial governor; and the Nong Khai provincial committee by Navy Captain (Thawisak Laenlai), vice chairman of the border peace-keeping coordination committee of Nong Khai Province. Colonel [Col.] Phommachak Soutthisan and Col. Samroeng Chantharukha, respectively heads of the task force units of the Lao-Thai and Thai-Lao general border peace-keeping committees, and members of the two task force units also attended the meeting.

At the meeting, representatives of the central-level task force units from both sides and of Bolikhamsai and Nong Khai Provinces took turns expressing their views and appraising the outcome of their cooperation in the past in maintaining peace along the border between the two provinces. At the same time, the two sides also explored ways to resolve certain difficulties obstructing their cooperation. The two sides agreed to cooperate with each other in suppressing and preventing exiled Lao rebels from carrying out activities to disturb peace among the people living along both banks of the river under their jurisdiction, pledging to completely get rid of them.

The two provinces also issued a joint memorandum on six points at the meeting. They agreed to cooperate with each other in controlling visitors from each country, to cooperate in resolving the problem of illegal immigrants, to coordinate the work of the provincial peace-keeping committees in a more timely manner, and to cooperate in maintaining the general Lao-Thai border as well as the border between the two provinces in a more practical and effective fashion.

During the meeting, Col. Phommachak Soutthisan and Col. Samroeng Chantharukha expressed views on certain issues which have posed obstacles to the cooperation between the two sides in maintaining peace and security along the common border of the two countries. In particular in the recent past, a senior-ranking Thai military officer accused Laos of having engaged in military training involving the deployment of chemical weapons. With regard to this issue, Col. Samroeng Chantharukha said: I am very sorry to hear that such baseless news is being spread by some people. Such acts only only serve to (?totally) undermine Lao-Thai friendship. For example, during the visit to Laos by His Royal Highness the Crown Prince of the Kingdom of Thailand, armed clashes occurred along the Lao-Thai border in Sanakham District of Vientiane Province when a group of undesirable bad elements caused disturbances in the district. Therefore, we must take precautionary measures to prevent the recurrence of such actions.

Luang Namtha-Yunnan District Cooperation Pact

BK1107101092 Vientiane KPL in English 0901 GMT 11 Jul 92

[Text] Vientiane, July 11 (KPL)—An agreement on cooperation in various domains was reached between Luang Namtha Province and La District, Yunnan Province, China, following a visit to La by a delegation of this northern Lao province headed by its vice governor, Mr. Sen-gnong Vongchankham, between 2-5 July.

According to the agreement, La district will send agricultural technicians to Luang Namtha to experiment the cultivation of ordinary rice on three-hectare area. Another group of Chinese veterinarians will come to Luang Namtha to collect data on animal illnesses having broken out in the locality. In addition, the two sides will cooperate in zoning crop cultivation.

On border affairs, the two sides will discuss to set the fees for border pass, issue provisional car number plates for vehicles travelling in and out between the two countries. The Chinese authority will permit vehicles of international organisations in Laos to cross to China on the way to the Lao nothernmost province of Phong Saly.

As far as tourism is concerned, the two sides will facilitate the travel of tourists and the transport of tourist vehicles to go up to Xieng Hung and King Mao, China. In communications and transport, the two sides will set up joint transport enterprises.

The agreement takes into effect from July 20, 1992 on.

Philippines

No Plans for Increasing Troops in Spratlys Seen

HK1407022292 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 13 Jul 92

[Text] The government has no plans to increase the country's troops deployed on the Spratly Islands.

Defense Secretary Renato de Villa said that although tension now looms over the Spratlys, the Philippines will not strengthen its 80 troops stationed on the Kalayaan group of islands, on which the Armed Forces of the Philippines has set up an air base.

The Spratly Islands are being claimed by Taiwan, Vietnam, the Philippines, Malaysia, China and Brunei, allegedly due to their oil deposits.

Tension over the Spratlys was rekindled when China's legislature passed a law claiming the small Spratlys islands as part of its territory.

Paper Advocates Joining Nonaligned Movement

HK1407031392 Quezon City MALAYA in English 14 Jul 92 p 4

[Editorial: "Non-Aligned Movement"]

[Text] With the U.S. bases gone or going, the time has come and the way is clear for the Philippines to apply for formal membership in the Non-Aligned Movement (NAM). This it could not do in the past because it was aligned with the so-called free world led by the United States against the "monster" of Communism. Now that the cold war is over and the bases are being dismantled, the Philippines' eligibility to join the NAM is beyond dispute.

The NAM is holding a summit meeting in Jakarta this September with Indonesia as host. It is to be hoped that by this time the government has formally filed its application and has begun asking friendly states to support it. Membership in the 104-nation movement has many advantages to offer with no drawbacks visible. But between now and September, which is really very little time, the government has to work hard to make it to the Jakarta summit.

Sadly, it has to be admitted that the NAM has fallen on hard times, especially in comparison with the glorious era when its leaders strode the world like colossi—India's Nehru, Indonesia's Sukarno, Egypt's Nasser, Yugoslavia's Tito. Its deterioration may have begun with Egypt and Nasser's crushing defeat in the 1967 Six-Day War. It couldn't do anything to help a comradely state.

Iraq, which was to host a summit meeting in Baghdad in the early '80s, got involved in a war with Iran, which threatened to bomb the conference and forced the NAM to look for another venue. Tito's Yugoslavia is no more. Perhaps the now-independent states that once composed the USSR will be knocking on the NAM's door. Will Boris Yeltsin's Russia, for example, be interested?

The NAM itself will be rethinking and recasting its reason for being now that the Cold War has ended. It was non-aligned as between the U.S. and USSR; that was the reason for its existence. Today, with reference to whom will it remain non-aligned? It may even have to consider changing its name.

But the termination of the cold war would seem to provide new impetus for the NAM to reinvigorate itself. While the danger of a nuclear showdown between the former superpowers has certainly evaporated, the new flashpoints are regional and ethnic wars, as can be seen in Yugoslavia and the former USSR, and the tension between China and Vietnam over the Spratlys. The NAM can be a powerful moral and political force for forestalling such conflicts or, once they have begun, cutting them short. Certainly in the Third World, from which most of its members are drawn, it should be a major factor. For the Philippines, after nearly 50 years of being a U.S. client-state, it would be an affirmation of newly-found independence and self-respect to be welcomed into the ranks of the Non-Aligned Movement.

Air Force Turns Down Saudi Arabian Jet Offer

HK1407024192 Manila BUSINESS WORLD in English 14 Jul 92 p 10

[Text] As far as air defense goes, the Philippines will remain naked for quite some time.

While the Philippine Air Force [PAF] has for some time been in dire need of a few squadrons of capable fighter interceptors, diplomatic sources disclosed to BUSINESS WORLD that the "PAF turned down a chance to acquire 55 F-5s from the Kingdom of Saudi Arabia."

The aircraft package, an assortment of F-5As, F-5Bs and the more advanced F-5Es, was offered "for only $34 million (approximately $618 thousand each)" a Philippine diplomat said. Currently upgrading to F-16s, F-15s and Tornadoes, the Saudis are disposing of the F-5s in their inventory.

"That seemed a good deal. If we can't have top of the line stuff, we might as well have quantity. The F-5 is still a capable aircraft," he said.

In a recent interview, a foreign military attache noted that various countries in the region, despite massive purchases of new aircraft, have preferred not to scrap their F-5s, upgrading them instead to undertake reconnaissance, early-warning, and electronic countermeasure (Wild Weasel) roles. "The F-5 is a versatile platform and easily maintained within the capabilities of developing countries," the attache remarked.

Of the PAF's eight F-5As and one F-5B, only two are in shape to handle the high-G stresses of air combat, military sources said.

"We were told that the PAF was not interested in the Saudi F-5s, because it was going to be getting F-16s," the Philippine diplomat said.

A ranking Foreign Affairs official familiar with the bases talks revealed that the PAF also turned down a U.S. offer of two squadrons of F-5Es as excess defense articles because "the aircraft allegedly had cracked longerons or something like that." Repairs were estimated at $41,000 per plane. "At that time our military wanted nothing less than the F-16," he said.

At $30 million apiece, the F-16 has proved to be a mirage. Coming down to earth, the PAF decided it could live with the Israeli Kfir. An order for 18 aircrafts, including support equipment, was negotiated for a total cost of $126 million, or $7 million per copy.

"However, we were not given the P1.4 billion [pesos] we requested in order to pay the downpayment for the Kfirs," a ranking Defense official said. "That means we have to forget getting the Kfirs."

A member of the Philippine panel during the bases talks recalls that the U.S. also offered a squadron of F-4E Phantoms but the "DND [Department of National Defense] didn't want the Phantoms because they were gas-guzzlers." But the Israeli Kfir uses the same J-79 powerplant the Phantom uses.

Defense Head Visits Brunei; Discusses Security

HK1407094492 Manila Manila Broadcasting Company DZRH in Tagalog 0800 GMT 14 Jul 92

[Text] Defense Secretary Renato de Villa left today for a two-day official trip to Brunei Darussalam. Secretary de Villa will represent President Fidel Ramos in the 45th birthday celebration of Brunei Sultan Mohammad Hassan Bolkiah.

Secretary de Villa and Sultan Bolkiah are expected to have a dialogue on regional security in the Asia-Pacific region with the pullout of American forces from Subic Naval Base and how the conflict over Spratly Islands could be resolved to prevent tension among claimant countries in the Asia-Pacific region.

Secretary de Villa brought with him President Ramos' personal message to Sultan Boliah on his birthday.

ASEAN Consultation Urged

HK1407023192 Manila BUSINESS WORLD in English 14 Jul 92 p 10

[By Ma. Caridad S. Bautista]

[Text] The Philippines must take advantage of the forthcoming Association of Southeast Asian Nations (ASEAN) post ministerial conference to initiate a multinational agreement settling the Spratly Islands dispute.

This was proposed yesterday by incoming Senate foreign affairs committee chairman Blas Ople and Senator Rodolfo Biazon in separate statements.

Sen. Ople said the issue must be settled immediately to avoid worsening the relationship among the six-nation claimants.

He noted that "we have in the ASEAN post-ministerial conference the makings of a new political structure in which all the major powers are represented, one capable of resolving security issues of regional importance such as the Spratly issue."

A briefing regarding the Philippine external security and foreign policy was scheduled this week for Mr. Ople and Senate defense committee chairman-designate Orlando Mercado.

Other Representatives

Aside from the six ASEAN member-states, the conference next week will be attended by representatives from the United States, Japan, Australia, New Zealand, and other European countries who will serve as dialogue partners. Representatives from China and Russia will also attend as observers.

Sen. Biazon recommended the adaptation of the North Sea Oil Exploration and Indonesia-Australia compromise agreements in the resolution of the dispute.

He said the oil exploration scheme involves a community of nations jointly exploring and exploiting the oil resources of the North Sea, while the Indonesian-Australian agreement segregates the disputed areas into specified "blocks" for either party to explore. But he did not specify which of the two models is suited for the Spratly settlement.

He added that the ASEAN conference is an opportuny to seek a political solution to the issue as China, one of the most aggressive and powerful claimants, has "agreed to study a joint solution relative to the China Sea conflict."

The other claimant-countries are Vietnam, Malaysia, Taiwan and Brunei.

Government Fails To Submit Performance Review

HK1307025992 Manila BUSINESS WORLD in English 13 Jul 92 p 1

[Maria Gertrudes M. Chavez]

[Text] The Philippine Government failed to submit last Friday the "letter of assurance" required by the International Monetary Fund (IMF) to complete the all-important second performance review.

Central Bank [CB] Governor Jose L. Cuisia, Jr. said after the Monetary Board (MB) meeting Friday, the Government has yet to come up with an alternative revenue plan to offset the shortfall in projected income for 1992.

Finance Secretary-designate Ramon del Rosario, Jr. had hoped that the letter of assurance would be given last week to the IMF.

The top CB official disclosed that the new economic team is still evaluating the new revenue-enhancement measures to be submitted to the new Congress. Among those being eyed for consideration of the legislative body are the refinements to the value-added tax, confidential positions at the bureaus of customs and internal revenue, and a large tax-payers' unit at the BIR [Bureau of Internal Revenue].

Insufficient

However, these are still insufficient to cover Government's acute revenue lack for the second half of the year, despite strict cutbacks in public expenditures.

But as of June 30, the National Government (NG) still managed to post a budget surplus of P600 million [pesos], since revenue shortfalls of P18.2 billion have been correspondingly matched by the P15.5-billion cut in government expenditures.

Budget and Management acting Secretary Salvador Enriquez pointed out that these surpluses are expected to be wiped out soon following an anticipated rise in expenditures as a consequence of the elections and the unclogging of payables. He noted that payments had been withheld for the first five months of 1992.

On the other hand, revenues are decreasing because of low asset sales and the continuous appreciation of the peso. The BIR, for one, has been unable to meet its revenue target collections in the last two months, Mr. Enriquez said.

If left unchecked, the NG deficit could balloon to P21.6 billion from the current IMF target of P9 billion. This has been further made difficult by Government's decision to stick to the IMF targets for the NG's fiscal operations, instead of asking for a relaxation of its deficit as earlier proposed by Mr. Enriquez.

Priority

Mr. Cuisia, however, said the P21.6-billion projected NG deficit assumes that all expenditures will be disbursed. At the end of the day, he feels the NG must prioritize its expenditures in the second half, adding that new foreign-assisted projects may have to be deferred anew.

The CB official further disclosed that at present all department heads are being asked to review their respective budgets given the expected low revenues.

Mr. Cuisia further said a concrete revenue proposal may only be ready in two weeks. This would be the only time Government may be able to submit the letter of assurance to the IMF.

The IMF has been unstinting in its demand that the Philippine Government come up with specific revenue measures for the second half of the year, otherwise the second performance review will not be completed. The finance department has promised it will go full-blast on the privatization of government assets. However, the IMF wants more self-sustaining and permanent revenue sources.

The Fund's mission to the Philippines has not acted on the country's second review pending the drawing up of specific measures to address the revenue shortfall and the power problem. Earlier, there has been an assurance from power officials that an energy sector plan is currently being drafted. The contingency measures are expected to be completed by September, Mr. Cuisia said.

Other Transactions

The CB official further stressed that several transactions are hinged on the second performance review. For instance, the $4.8-billion debt reduction package with the commercial banks cannot be consummated without an IMF endorsement, IMF senior resident representative Christopher Browne indicated.

In addition, World Bank resident representative Thomas Allen also said the $800-million economic integration loan for the country's debt operations is dependent on a successful IMF review.

IMF Asked for Higher Deficit for Infractructure

HK1407024592 Manila BUSINESS WORLD in English 14 Jul 92 p 10

[By Ma. Caridad S. Bautista]

[Text] The Government will ask for a higher budget deficit ceiling under the 1993 economic stabilization program [ESP] to give more "elbow room" for financing the country's infrastructure projects.

President Ramos said during the television talk show Firing Line that although his administration approved the ESP, he will ask for better conditions "to give more elbow room for infrastructure programs."

Mr. Ramos said the condition set by the International Monetary Fund of a budget ceiling of 2.5% of the Gross National Product was "too restrictive." As a result, he added that Government funding for infrastructure projects had to be cut. "We need infrastructure to attract investors."

Under the proposed 1993 expenditure with a projected P14.6-billion [pesos] deficit, funding for infrastructure projects was reduced from P21.8 billion this year to P16.2 billion, or a cut of 26%.

With the second half still to go on full swing, Mr. Ramos said his administration will work out a higher deficit ceiling but asked his economic leaders to avo [as published] increasing the gap to P21.6 billion.

One item's expenditure which will increase once the deficit is hiked is the infrastructure program.

Leonora de Jesus, chief of the Presidential Management Staff, told reporters that Government is considering transferring the subsidy of government-owned and -controlled corporations to infrastructure projects.

Mr. Ramos said, "Masyadong naputulan ang DPWH at DOTC (The budgets of the Departments of Public Works and Highways and Transportation and Communications were severely cut)."

Infrastructure Projects

Mr Ramos wants to implement three major infrastructure projects, the Light Railway Transit [LRT] II and III and the Circumferential 5 road network (C-5) all of which should be operation in three years.

The President is also considering extending LRT II up to Cogeo, Rizal from the intended Claro Recto-Cubao connection. This plan is expected to develop the eastern portion of Metro Manila.

The C-5 will link the Ninoy Aquino International Airport with San Jose del Monet, Bulacan through Libis, Quezon City.

Tax Measures

Another scheme being considered by Pres. Ramos is to increase revenue-generating operations including congressional approval of tax bills proposed by the past administration. "We will choose which (of the tax measures) are reasonable," he added.

The measures include refinements in the value-added tax, creating confidential positions in the Bureaus of Internal Revenue [BIR] and Customs and the creation of a large taxpayer's unit in the BIR.

Ramos Forms Group To Work on Amnesty Program

HK1407022092 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 13 Jul 92

[Text] President Fidel V. Ramos is amenable to giving all rebels in the country total and unconditional amnesty. However, he has set a condition for the rebels to comply with.

During an interview on a television talk show, the president said both rightist and leftist rebels should abandon their armed struggle if they want to have influence on the government. He is hopeful that an amnesty program for both leftist and rightist rebels and Muslim rebels will be submitted to Congress, which will open on 27 July. He added that he has formed a group composed of senators, congressmen, and members of the executive branch to formulate the mechanics of the amnesty program.

Police Employees Criticize Director General Nazareno

HK1307120192 Manila Manila Broadcasting Company DZRH in Tagalog 0800 GMT 13 Jul 92

[Text] Philippine National Police [PNP] officials and civilian employees have distributed copies of an open letter in Camp Crame accusing PNP Director General Cesar Nazareno of being king of the scalawags. The employees named Nazareno king of the scalawags after he reportedly obliged PNP officials to raise their quota in a popular but illegal lottery so that they may be promoted. At the same time, the employees accused Nazareno's wife of illegally using PNP funds. However, General Nazareno, through PNP spokesman Colonel Reynaldo Wycoco, emphatically denied the accusations. Wycoco said the accusations are mere inventions of coward officials who were not given good positions within the PNP leadership.

Ramos Welcomes Religion's Role in Politics

HK1307042892 Manila PHILIPPINE DAILY INQUIRER in English 13 Jul 92 p 11

[Text] President Ramos yesterday said he welcomed religion's role in public and even political affairs, saying government and Church can always co-exist.

"Like you, I adhere to the secularist ideal—of church and state as mutually autonomous and co-existent, each supreme in its own domain, but closely working together for the common good," the President said in his speech during a thanksgiving at the Cosmopolitan Church in Manila.

In stressing the role of religion, the President said that no individual can simply write principles on legal documents and laws and expect them to produce the right behavior among people overnight without faith.

He said a democratic state like the Philippines cannot survive unless the people themselves are God-fearing and virtuous.

The President enjoined both the Christians and Muslims to keep the peace, vote honestly, pay their taxes, and obey the laws—all as an integral part of living their religious faith.

Mr. Ramos said he wanted to be remembered by Filipinos not as the first protestant president but the 12th president who happens to be a Protestant.

Military Maintains Red Alert in Basilan

HK1307024492 Quezon City MALAYA in English 13 Jul 92 p 3

[Text] Isabela, Basilan—The military maintained its red alert status here even after the special polls Saturday, after rebel group threatened to burn the town if their candidate loses.

Marine brigade commander Col. Romeo Daranciang did not identify the rebel group, but claimed "the Moro National Liberation Front's [MNLF] provincial revolutionary committee has always made the MNLF lost command its "whipping boy."

"Whoever wins in the special election, possible trouble is expected (from the defeated candidate)," said Daranciang.

Thailand

Military Leaders Say No Interference in Politics

Kaset Pledges 'Never Again'

BK1307145592 Bangkok TNA in English 0930 GMT 13 Jul 92

[Text] Chiang Rai, July 13 (OANA-TNA)—Thai Supreme Commander Air Chief Marshal [ACM] Kaset Rotchananin pledged on Sunday the armed forces would never again interfere with the country's political process.

ACM Kaset was speaking to reporters after presiding over the ceremony in which he represented the Air Force to donate an educational audio-video set to a public libery in this northermost province.

Kaset said as the supreme commander, he could assure that the military would not get involved in politics from now on, but it was ready to cooperate with all sides in implementing develoment projects which would contribute to the well-being of the people.

After the May violence, Kaset and Army Commander-in-Chief Gen. Itsaraphong Nunphakdi have kept themselves low profile and could only be seen in remote areas where they presided over development-relating activities.

Pro-democracy groups have demanded that the two military leaders be tried for their roles in the bloody crackdown on peaceful demonstrations during May 17-20, in which scores of people were killed and several hundred others injured and missing.

Kaset said he believed that the situation would return to normal after the next general election on September 13.

The military chief said he wanted to see peace restored and economy continue to flourish.

However, he was concerned that some groups might not strict [word as received] to the laws and resort to mob's rule as they did recently.

Interim Prime Minister Anan Panyarachun last week ordered the abolishment of the National Peacekeeping Force, ending the military's role concerning internal security. The job is now passed on [to] the Interior Ministry.

Leaders Discuss Military Role

BK1207124392 Bangkok NAEO NA in Thai
12 Jul 92 pp 1, 18

[Text] During a BBC interview broadcast worldwide on 11 July, Deputy Supreme Commander General Wimon Wongwanit commented on the issuance of the executive order by Prime Minister Anan Panyarachun abolishing the post of the internal peacekeeping director, saying that the people who are responsible for this act must have already weighed its pros and cons, noting "the issuance of the order fits the current situation."

Asked about his opinion regarding the call for the military to stay away from politics, the deputy supreme commander said soldiers are also citizens of the country and, therefore, are obliged to contribute to a clean and fair election, rightly exercise their voting rights, and vote for the right parties and candidates.

He continued: "Politics is a matter that involves everyone. I fully agree that soldiers should not direct military institutions to meddle in politics. No government agencies or military units should be used to cause the elections to be unfair. I certainly believe this."

General Wimon Wongwanit graduated from Chunlachomklao Military Academy's Class Five. His classmates include former Prime Minister General Suchinda Khraprayun and Army Commander General Itsaraphong Nunphakdi. General Wimon is one of a few graduates from Class Five who have expressed views on politics different from their colleagues.

During the same program, BBC also interviewed former Phalang Tham Party leader Major General Chamlong Simuang and former Bangkok Democrat MP Aphisit Wetchachiwa.

Major General Chamlong Simuang said that the military should listen to the people's view demanding that the military stop interfering in politics because the current world situation is very different compared to the situation 10 or 20 years ago. If the military wants to help develop the country, it must stop interfering in politics, so Thai political affairs can freely move along its natural course, and concentrate on its main task of defending the country from external aggression.

Meanwhile, Aphisit Wechachiwa said there are so many loopholes in the laws, which allow the military to get involved in politics through their "mediums" or stooges. After the May incident, the Thai people called for changes, especially for the amendment of the laws related to riot suppression and for factual reports in the state-owned media.

Meanwhile, newsmen asked Prime Minister Anan Panyarachun about the attempt to have the armed forces declare their use of secret funds. He said that he merely mentioned that many countries make public the use of secret military funds after a period of five or ten years. Asked if the government will lay down guidelines for the use of secret funds, he replied "I have many other things to do. The next prime minister should have the answer."

Air Force Chief's Airline Monopoly To End

BK1407010592 Bangkok BANGKOK POST in English
14 Jul 92 p 13

[Text] The Cabinet yesterday made an historic decision to end the Royal Thai Air Force [RTAF] Commander-in-Chief's [C-in-C] monopoly on the chairmanship of Thai Airways International [THAI].

The regulation allowing the RTAF C-in-C to be THAI chairman by position will be amended. He will no longer monopolise the chairmanship of the national airline and may also not be elected to the THAI board.

The regulation reserving board seats for representatives of government agencies and senior executives of the national airline will also be amended.

Under the new regulations, the THAI board will be elected by the general shareholders' meeting, and the elected board will select one of its members to be the chairman.

The Finance Ministry has explained that the proposal to amend the regulations on THAI is to make them compatible with the Public Company Act, but the move was made apparently because of increasing opposition from both the public and THAI staff to Air Chief Marshal Kaset Rotchananin who was accused of being involved in ordering the military crackdown on anti-Suchinda demonstrators in the May tragedy.

Despite refusals by Prime Minister Anan Panyarachun and Finance Minister Phanat Simasthian to have the Government involved in appointing the THAI chairman and board directors under the new regulations, saying they will depend on the shareholders meeting's decision, it is noted that the appointments will in fact be made by the Government as the Finance Ministry is the largest shareholder of the national airline.

Owning about 90 percent shares, the Finance Ministry's vote alone can decide all issues.

In proposing the amendments, the ministry said THAI has won a listing on the Stock Exchange of Thailand and its shares are scheduled to start trading on the stock market later this month, but the airline's structure is not flexible enough to cope with the situation.

"People who have subscribed to THAI shares have realised this problem and heavily criticised the THAI board which is different from those other companies in general," the ministry said.

Moreover, it said, the Securities and Securities Exchange Act, which has been effective since May 16, requires companies with shares listed on the stock market to change their status to public companies within two years, so THAI will have to comply with the Act and the appointment of board members is also part of such compliance.

In an effort to benefit the investors THAI and the country, the Finance Ministry said it is necessary for it to amend THAI's regulations on the appointment of board members immediately, instead of waiting for law enforcement.

After approving the proposal, the Cabinet has instructed the Transport and Communications Ministry, which is authorised to supervise and control THAI's policies and management, to conduct the amendments by managing to issue a board decision at its meeting on July 23 to call a shareholders' meeting to amend the regulations.

In the existing regulations of THAI its board of directors will comprise not more than 10 members including the Royal Thai Air Force Commander-in-Chief, Transport and Communications Permanent Secretary, one representative each from the Airports Authority of Thailand, the RTAF Transport and Communications Ministry, the Finance Ministry, the Supreme Prosecutor's Office, the Foreign Affairs Ministry, the National Economic and Social Development Board, the THAI president and senior executive vice-president.

The regulation will be changed to read: "The board will comprise not fewer than five persons and not more than 15 persons, depending on the decision of the shareholders' meeting."

For the regulation that the RTAF C-in-C and Permanent Secretary for Transport and Communications are chairman and vice-chairman, it will be amended to be that the board will elect one of its members as chairman and one or more other members as vice chairmen

After the Cabinet meeting, Mr Anan said it will not take long to amend THAI's regulations "because the Finance Ministry is the major shareholder of THAI. It and the Transport and Communications Ministry need to hold two extraordinary shareholders' meetings to approve the amendments, and the process will be completed."

Asked whether the amendments are aimed at dethroning the RTAF C-in-C, he said: "We (the Cabinet) have never stated the Royal Thai Air Force Commander-in-Chief cannot be the chairman of THAI. It will depend on the board members who will be elected proportionally to each shareholder bloc. This is a standard practice of listed companies on the stock market."

Asked whether the amendments will improve the price of THAI shares, the Premier said: "This is a different matter. The amendments are a change in the principle, while the price of THAI shares depends on the market situation."

Kaset Comments on Decision

BK1407091192 Bangkok Radio Thailand Network in Thai 0530 GMT 14 Jul 92

[Excerpts] Supreme Commander and Air Force Chief Air Chief Marshal Kaset Rotchananin granted an interview to newsmen after attending a religious ceremony at Phra Si Mahathat Monastery this morning. He said the Air Force's rain-making team will launch an operation very soon to solve the problem of the low water level at Phumiphon Dam. [passage omitted]

Asked about a call for the termination of the supreme commander position, Air Chief Marshal Kaset refered to an explanation given by the defense permanent secretary—that the position was created during war to coordinate the operations of the armed services, and it remained as such, acting as a center for the coordination of the armed forces after the war. He said the Supreme Command has several units under its jurisdiction whose responsibilities are vital for national development. He did not know how to make up for those units if they were dissolved.

Asked about the move to restructure the administration of Thai Airways International, the supreme commander said any changes should be based on the decision of the board members and shareholders. The Air Force has no objection to any change which would contribute to the progress of the company.

Asked about a call for a reduction of the role of the armed forces, Air Chief Marshal Kaset said that the role of the armed forces is national defense readiness and assisting other government agencies in carrying out development projects. He said he wondered how there could be a reduction of such a role, which was stipulated by the Constitution. Asked what stand the military should take at present, Air Chief Marshal Kaset said it is the duty of soldiers to develop national defense efficiency as well as the economic and social well-being of the people, especially those in remote rural areas.

'Analysis' Views Recent Political Developments

BK1207040892 Bangkok BANGKOK POST in English 12 Jul 92 p 8

["Weekend Analysis" by Banyat Tasaniyawet]

[Text] Thai political development has progressed steadily despite repeated setbacks as a result of military coups d'etat. Another step is being taken following the May protests demanding an end to military dictatorship.

As a result of the ouster of Gen Suchinda Khraprayun as, premier amendments to the Constitution and subsequent events, the general election is shaping up as the acid test as to whether heightened awareness of democracy will have an impact on results usually determined by traditional "polluted politics".

It is clear the uprising in May polarised public perception of political parties into two groups, on side the so-called pro-military, coalition parties which supported Gen Suchinda and his classmate and, on the other, pro-democracy parties which opposed them.

Increased political awareness has forced many of the pro-military bloc to make major changes in an attempt to shed their "satanic" tag. Their response is natural because they cannot logically explain or justify the positions the adopted in supporting Gen Suchinda and the bloodshed.

This frantic switching of party allegiances by MPs occurred not long ago too—soon after the National Peace-keeping Council staged its coup against the Chatchai administration and called elections for last March.

The party most affected this time is the core of the Suchinda coalition, Samakkhi Tham, which had 78 MPs.

With MPs loyal to northern business tycoon Narong Wongwan remaining as the core, the party will change its name and run as the Thoed Thai Party this September. Apart from Mr Narong, the stalwarts include former Ruam Thai MPs who quit Social Action.

Apart from its name, the party has found it necessary to change its top leadership as well. Dr Anuwat Wattanaphongsiri becomes leader and Sompong Amonwiwat secretary general to replace Sqn Ldr [Squadron Leader] Thiti Nakhonthap.

But with many MPs fleeing to what they believe will be greener pastures, Samakkhi Tham or Thoed Thai appears unlikely to become a member of the net coalition government, nor can its new leader realistically expect to be a genuine contender for premier.

At best, Thoed Thai can expect to be a pressure group in Parliament after September 13.

Perhaps the party most political analysts are keeping a close eye on is the former Puang Chon Chao Thai Party—now Chat Phatthana—to be headed by former Chat Thai leader and former prime minister Gen Chatchai Chunhawan.

Chat Phatthana boasts of being able to muster as many as 80 MPs from various other parties and its formation follows the path of what many call "task force" or transition parties that later disintegrate after facing a political crisis, such as the United Democratic Party, Solidarity and Samakkhi Tham.

The party comprises four major groups. The first is that of former Army chief Gen Athit Kamlang-ek and Suwat Liptaphanlop with about 10 MPs.

Another larger group of about 30 MPs is of former Social Action MPs with key members being Chawalit Osathanugrah, Mai Sirinawakun and Santi Chaiwiratthana. This group is backed by former SAP MPs such as Phong Sarasin and Surat Osathanugrah.

The third group comprises former eastern MPs closely aligned to influential godfather Somchai Khunpluem or Khamnan Poh. They include Charun Ngamphichet Sonthaya Khunpluem and Thoedtham Amaranikit.

The fourth group, perhaps equally as powerful as the former SAP MPs, takes in Chat Thai supporters of Gen Chatchai himself. This group is led by Gen Chatchai's nephew, Kon Thapparangsi, who will be Chat Phatthana's secretary general.

Chat Phatthana's prime aim, of course, is to win the largest number of seats in the House and be the core of the next government.

Gen Chatchai's decision to head Chat Phatthana has shaken Chat Thai considerably and cut into the party's morale. While Chat Thai's founding members are those of the Ratchakhru family, its real power and authority has been usurped by Banhan Sinlapa-acha, the secretary-general.

Pol Gen [Police General] Praman Adireksan, of the other wing of the Ratchakhru clan, has assumed leadership of the party but analysts do not expect Chat Thai to play a core role in forming the government after the election, let alone being a member of the coalition.

Former House Speaker Dr Athit Urairat certainly made a name for himself by nominating Anan Panyarachun, instead of ACM [Air Chief Marshal] Sombun, as premier. His increased personal prestige has launched his attempt to form a new party, Seritham.

Dr Athit has with him a sizeable number of former Samakkhi Tham MPs but success in its electoral debut remains very much up in the air.

Of all so-called "satanic" parties, Samak Suntharawet's Prachakon Thai appears to have been affected the most. Mr Samak momentarily disappeared from the political scene after the uprising in May.

A lack of confidence prevails as the party leader, inexplicably, continues to tow a line running counter to the mood in Bangkok.

The party's MPs in Chanthaburi are under considerable pressure to leave the party. Should this occur, it would be a major blow.

The only MP who has said she will sink with the ship is Lalita Roeksamran, Mr Samak's running mate.

Of the pro-democracy parties, the Democrats appear to have benefited the most politically from the May events, even though the party adopted a somewhat reluctant stand and disapproved of the demonstrations "outside Parliament."

The party is flooded with people wanting to become candidates and it is expected to gain some seats from Palang Dharma in Bangkok and intrude on Prachakon Thai areas.

Democrat Party leader Chuan Likphai, according to an initial survey, is the most popular candidate for prime minister.

Ironically, Phalang Tham's Maj-Gen [Major General] Chamlong Simuang, who led the pro-democracy demonstrators and placed his own life on the line, has become the target of certain segments of middle-class criticism. He is accused of being "extremist" in his action and "partly to blame" for the deaths resulting from the military crackdown.

Maj-Gen Chamlong, who in the past has constantly topped polls as most favoured prime ministerial candidate, finds himself second behind Mr Chuan. While the party may lose seats in Bangkok, it can certainly expect to gain in areas such as in Nakhon Si Thammarat and Nakhon Sawan.

Former Army chief Gen Chawalit Yongchaiyut's New Aspiration is another pro-democracy party likely to benefit from the political mood. Most of its MPs have stayed with the party. Yet, like Phalang Tham, its leader has become a target of a coordinated smear campaign. It remains to be seen whether increased political awareness will be able to counter this thrust.

Among the pro-democracy parties, Solidarity has been worst affected—not so much because it stood with the demonstrators but because three key southern MPs in Nakhon Si Thammarat have decided to join Phalang Tham.

The trio, led by Chamni Sakdiset, decided that apart from their individual appeal their chances of countering the Democrats' juggernaut would be enhanced by joining Phalang Tham with its popular and positive pro-democracy image.

Problems between Solidarity leader Bunchu Rotchanasathian and secretary-general Uthai Phimchaichon also prompted Mr Bunchu to join Phalang Tham.

In summary, no matter what cosmetic changes pro-military parties make in their attempt to shed their previous image, the election is basically a struggle between the two camps, perhaps with the exception of Bangkok and the South where pro-democracy parties will be battling among themselves.

Prospects of pro-military parties, with their financial resources, retaining their hold remain likely. But changes and upsets could occur if increased democratic awareness spreads to rural Thailand.

New Party Seen as Strong Contender for Elections

BK1407005392 Bangkok BANGKOK POST in English 14 Jul 92 p 1

[Excerpt] The newly-formed Chat Phatthana (Nation Development) Party has emerged one of the strongest in the upcoming election, with its leader, Gen Chatchai Chunhawan, a strong contender for the premiership.

Political analysts said the party has been given a significant boost by the defection at the weekend of Prachuap Chaiyasan from the Democrat Party and the possible participation of a group of former MPs loyal to former House Speaker Dr Athit Urairat.

Chat Phatthana sources now estimate the party could win up to 80 seats in the election which would rank it among the largest parties.

Before the unveiling of the party's line-up an Sunday, Democrat Party leader Chuan Likphai was the most favoured candidate for the premiership, according to a National Institute of Development Administration (NIDA) poll.

Mr Prachuap, who has been named the party's secretary-general, said yesterday the party had received an unexpected number of applications from former MPs and new faces keen to join.

Interest is especially strong in the Northeast.

The former Democrat said he was also negotiating with a group of former Democrat MPs in the South to join Chat Phatthana to help its electoral prospects.

He also claimed some Phalang Tham Party provincial councillors in Surat Thani had sought membership of the party.

Mr Prachuap said he would not push his former Democrat colleagues to join him, "but would rather let them use their own judgement."

The former Democrat deputy leader said he had met with Democrat secretary-general Maj-Gen Sanan Khachonprasat and had given an assurance he would not seek to destroy the Democrat Party "because it is a political institute which has to be preserved".

Mr Prachuap has been given responsibility for selecting candidates for the September 13 election and said he would emphasise quality in his selection.

Another key party member said Chat Phatthana was now the strongest party in the Northeast through the grouping of Gen Chatchai, Gen Athit Kamlang-ek, Kon Thappharangsi and Suwat Liptaphanop.

He expects the party to win about 50 seats in the Northeast and between 2030 seats elsewhere.

The party member said the defection of Mr Prachuap had done little to boost the party's strength in the northeastern region as only one other former Democrat MP, Chaiya Phromman, had followed his lead in joining Chat Phatthana.

But he said Mr Prachuap's defection had hurt the Democrat Party's image and would undermine Democrat leader Chuan Likphai's prospects of becoming the next prime minister.

He said Gen Chatchai regarded Mr Chuan as his strong rival for the premiership.

Deputy leader Mai Sirinawakun said he was trying to recruit scores of former Samakkhi Tham MPs loyal to Dr Athit Urairat if their attempt to form a new party under Dr Athit failed.

Another source said Gen Chatchai wanted the court to rule before the election on his appeal against being declared unusually rich by the now-defunct Assets Examination Committee. [passage omitted]

Column Discusses 'Unelectable' Candidates

BK1207032692 Bangkok THE NATION in English 12 Jul 92 p A10

["Sideline" column by Sophon Ongkara: "The Rebirth of the Unelectable"]

[Text] Voters will soon be presented with many of the same unelectable candidates in the upcoming general elections scheduled for Sept 13. The date itself looks like an ill omen for a few of them, especially those who fail to cover their tracks well ahead of time.

Let's see what we have now. There's the National Development Party, a breakaway group of MPs from Chat Thai, Samakkhi Tham parties and few others who believe that former premier Gen Chatchai Chunhawan would guide them away from the treacherous and winding political path.

Others are Seritham Party and Thoed Thai Party which comprise members of the obviously defunct Samakkhi Tham whose notoriety has become so widespread that no ex-MPs are willing to remain under that tainted banner any longer.

So the five pro-military parties are splitting as part of their attempt in transforming themselves into innocent entities. Don't be mistaken by the struggle of these political parties, at their attempt in soul searching. Going by past experience and the recent May bloodbath, these political desperados will never spare their souls to truly serve the people.

Frankly speaking, the resurrection of these politicians, should be prevented by any means possible for the sake of the country. Sadly however, political circumstances in rural areas are not yet an effective deterrent to block them from the House.

Among all those parties remains Chat Thai, but this time it lacks stinging power, because scores of its members have defected to join the National Development Party, or Chat Pattana formed by ex-premier Chatchai Chunhawan.

In forming the NDP, Chatchai demonstrated an un-Thai behaviour by returning the slap and ridicule he got from Chat Thai financiers and bigwigs a few weeks ago.

It is high time, in Chatchai's opinion, to leave those rotten apples in the Chat Thai barrel, if he truly wanted to restore his image, honour and political stature in the next polling. The former premier still hopes that with enough following of ex-MPs, his party can emerge victorious in the election so that he can take a shot at the premiership again.

However, there is a stumbling block, when people believe that the politicians now facing allegations for amassing a questionable amount of wealth should wash their hands away from the post of chef d'etat. The legality of the probe conducted by the Assets Investigation Committee is immaterial. A valid question remains: Were those assets actually ill-gotten gains? The public should not be misled to miss this pertinent point.

So a red carpet is not there yet for Chatchai to walk towards the premiership. The politicians under his new party have yet to be convinced to learn about accountability, moral responsibility and conscience of guilt. This is next to impossible, we know.

But if there is any red carpet for Chatchai, as envisioned by the members of the NDP, it must have been the same carpet removed from the Royal Hotel, still soaked with the blood of prodemocracy demonstrators who were massacred during May 17-20.

If Chatchai cherishes a notion that he had no part in the ugly episode, this will be disputed. As defence minister, he was the one who had installed the "Butchers of Bangkok" in their commanding posts and they turned against him when his government was ousted on the Feb 23,1991, coup d etat. It was his desire to be cozy with those thuggish commanders, and the nerve to provoke their ire through his verbal hitman eventually did him in.

The Anan administration, now riding on the crest of public support, is undertaking a risky mission in cautiously defanging the politically ambitious country-club generals. Anan however has achieved limited success in this endeavour.

If the Anan II government is relatively successful in dealing with these generals, a dreadful scenario is that Chatchai might be tempted to curry favour with the commanders still in power just for his survival if he indeed, has enough MPs under a new coalition to usher him to the premier's seat.

Prime Minister Anan might already be wondering what he would tell foreign friends and journalists, if Thailand is back to political square one after the Sept 13 general election. He had tried—not enough maybe—to set a new stage for democratic development. He still has time to achieve what he has in mind. A nagging question is whether he has enough political will to fulfill those delicate jobs as fervently hoped, and strongly insisted, by the public?

There is more. How would he explain to people during his foreign trips after his second term ends why the same old pro-military politicians so reviled by people in Bangkok were still re-elected to the House?

We cannot rule out the possibility that the former pro-military parties, now under different banners to whitewash their pasts, will regroup if they have a simple majority to form a coalition. Again, the political square one could be painted with more blood.

Chatchai wants to become prime minister. There is no mistake about that. That's why he has decided to return to politics and abandon Chat Thai, the party he had co-founded with his brother-in- law and new party leader, Pol Gen [Police General] Praman Adireksan.

What is still ringing in our ears? Before his departure from London shortly after the coup, the victim of detention at the air force base, declared that he had washed his hands of politics for good. After a bit over a year, he has changed his mind, not lacking the character to pun his words with reporters.

The result of his decisive stroke to desert Chat Thai Party was a big insult to the party big bosses, and even one of them unleashed angry statements labelling the ex-premier as mercurial, untrustworthy, and a type of reptile which is a jinx to every Thai household.

What can we deduce from all these odd turn of events in the political circus. There is one humorous aspect. Chat Thai members have become familiar with the rotten left-over food, no matter how mouth-watering or delectable the feasts they had ordered for special occasions would taste. They are so accustomed to a series of anti-climaxes that nothing could surprise them any more.

We still remember that the renowned Nai Chai noodles, as well as food and drinks catered from the Airport Hotel which were hardly touched on that evening of June 10 at the residence of ex-Chat Thai leader ACM Sombun Rahong. The host experienced the first shocking embarrassment of his life after hearing a shattering message that he would not be named prime minister.

The feast was quickly ignored; the fete became a flop; and the expected feat turned out to be a farce.

The Chat Thai members were still smarting from the first fiasco when the second thunderbolt hit them in less than a month. This time, they had to wait for several hours at Chatchai's residence with a Chinese feast already in place to greet the host. Unknown to them the master of the house was forming a new party in a nearby residence belonging to a defector from Chat Thai.

As we all learned later, the Chat Thai members were left out in the cold with the Chinese feast. The foul mouths, set to devour the sumptuous food, instead poured out an endless flow of foul words after the foul-up. It has been dubbed "a party in waiting" and yet this might not be the last wait. The moral of this story is this: Chat Thai members will always be mercurial, no matter what political parties they are with.

Patron-Client Relationship in Political Parties

BK1107021192 Bangkok BANGKOK POST in English 11 Jul 92 p 4

[By Niyom Rathamarit]

[Text] A former MP from Ubon Ratchathani, Liang Chaiyakan, once likened the relationship between a party chief and rank-and-file members to that of a tree and birds. If the tree is big, blossoms and yields a lot of fruits, birds will come and seek refuge in it. If the tree is small, yielding fewer fruits, birds will fly away to seek a new home.

The current mass defection of former MPs and well-known politicans from the Samakkhi Tham, Chat Thai, New Aspiration, Social Action, Solidarity, Prachakon Thai and Ratsadon parties to the Phalang Tham, Democrat or some newly formed parties, is analogous to the relationship between a tree and the birds.

The popularity of the Samakkhi Tham, Chat Thai, Social Action, Prachakon Thai and Ratsadon parties has plunged because of their close ties to the now-defunct National Peace-keeping Council (NPKC) and the Suchinda government, which had made a serious mistake by using force to quell prodemocracy demonstrators on Ratchadamnoen Avenue, bringing about the May 17-20 bloodshed.

These parties are like trees whose tops have been cut.

The Samakkhi Tham Party (STP)'s future is doomed because certain NPKC figures who are its patrons have suffered a great political setback and become unpopular among the masses and their subordinates. They have to keep a low profile and withhold support for the party. The STP, therefore, can no longer play a leading role in politics by seeking support from the military as it did before the May tragedy.

The present state of the STP leadership is similar to that of a dying tree which can no longer provide the birds with food, lodging and protection. The birds, therefore, have to leave and look for a new, larger tree.

The New Aspdiration Party (NAP) reportedly has depleted most of its resources in the last election and so far has not been able to find a new source of wealth to fill its coffer. The NAP's recent move to invite well-known banker Amnuai Wiraway to take the party leadership indicated that the NAP is in financial trouble.

The Chat Thai Social Action, Prachakon Thai and Ratsadon parties had made a big mistake by clinging tightly to the NPKC and the Suchinda government. When the NPKC and the Suchinda administration collapsed, they were adversely affected.

Although they are in the same democratic alliance as the Phalang Tham and Democrat parties, the NAP and Solidarity Party do not stand a good chance of becoming the core party in the formation of the next government. Therefore, they are not seen in a favourable light by power-seeking politicians.

The NAP is not as rich as it was before the March 22 elections. It is not in a position to give extensive financial support to its candidates. Solidarity, which suffered a mass defection prior to the March 22, 1992 election, also has limited financial resources. In a sense, both parties are like small trees with fewer fruits for the birds.

The Phalang Tham Party (PDP) is becoming popular because of its leadership role in the pro-democracy movement in May. It has maintained its image as an honest and dedicated party. This has strengthened its position vis-a-vis other long established parties.

The PDP stands a good chance of winning big support among the masses and this might enable it to lead the next government. Like a healthy growing tree, the PDP attracts a lot of hopeful politicians.

Even though it did not playd a significant role in the pro-democracy movement, the Democrat Party has beend able to score political points by criticising both sides in the May conflict. The Democrat leader's compromising attitude has won widespread admiration among those who are not politically enthusiastic.

The newly-formed Nation Development Party comprises well-known politicians and big financiers such as Gen Chatchai Chunhawan, Gen Athit Kamlang-ek, Suwat Liptaphanlop and Buntheng Thongsawat. It is a promising party in terms of financial support and ability to be in the next government. It can attract politicians from all sides, including those who do not feel comfortable to join the PDP or the Democrat Party.

In sum, the relationship between a party chief and rank-and-file members is a reflection of the traditional patron-client relationship in Thai society; the partrons provide the clients with land and physical protection, while the clients supply their patrons with manpower and legitimate power to rule over the community.

The political parties in Thailand will niot become stable as long as their rank and file do not consider themselves an important part of the party, but merely subordinates whose aim is to get the most benefits for themselves.

Ministry To Coordinate Anti-'Godfathers' Campaign

BK1107013992 Bangkok BANGKOK POST in English 11 Jul 92 p 1, 3

[Text] The Interior Ministry will set up a centre to coordinate campaigns against "godfathers" who wield influence in national elections.

The centre to be established in a few days will be located at Interior Ministry headquarters with the task of working with provincial and district-level centres in the drive against these figures and other election-related crime.

Interior Deputy Permanent Secretary Chaiwat Hutacharoen, who chairs the ministry's committee overseeing the task, said the ministry on Monday will start updating its list of "godfathers" along with that of hired gunmen.

The information will be used to pinpoint possible targets of campaigns to include drives against illegal use and trade of weapons and serious crimes related to the September 13 poll.

Investigators will be sent to the provinces and villages to track down those who already face arrest warrants.

Those who have no criminal records but are on the "godfathers" list will be invited to meet the authorities to be told the Government's policy to ensure a clean, fair election.

The campaign is aimed at deterring those who plan to use illegal means including vote-buying to help certain candidates.

Government officials found to be acting in favour of candidates will face immediate transfer and subsequent punishment, he said.

Assistant Police Chief Lt-Gen Pracha Promnok, a committee member, said the authorities will use political and legal measures to deal with these "godfathers".

Without giving names, Pol Lt-Gen [Police Lieutenant-General] Pracha said at least two major figures—in Khon Kaen and Chon Buri—have already announced their support for politicians in their control in the election.

District and the provincial-level centres will try to deal with problems in their respective areas first but police and officials of the Interior Ministry will be called in if the situation gets out of control.

The centre will closely coordinate work with the Poll Watch committee.

As part of the campaign, the ministry's committee also agreed to suspend official permits for gambling.

The ministry has issued permits to allow members of the public to organise certain card games but these permits have been abused by some people to operate gambling dens.

Officials found that gambling dens have become hiding places for hired gunmen who are usually used by politicians to kill rivals during elections.

Interior Minister Pol Gen Phao Sarasin said he does not intend to focus only on eastern provinces but all regions.

"I have something I am thinking about doing on this," he said, declining to reveal it.

Pol Gen Phao, accompanied by Deputy Interior Ministers Anek Sitthiprasart and Charoenchit na Songkhla, inspected the Police Department yesterday morning.

Northeast Villagers Unable To Return To Land

BK1107015792 Bangkok BANGKOK POST in English 11 Jul 92 p 1

[By Sanitsuda Ekachai]

[Text] Nakhon Ratchasima—A week after a compromise, the northeastern villagers evicted under the Kho Cho Ko military resettlement programme still cannot return home as the Forestry Department is fighting back by stepping up tree-planting on the old village sites and farmland.

Village leaders from various provinces met their advocacy groups yesterday to discuss their shared problem and to urge the department not to block implementation of the Cabinet's decision to allow the villagers an immediate, safe return home.

The problem is most severe at Ban Long Yai of Soeng Sang District which spearheaded the exodus home last month and later faced a crackdown.

The incident triggered a large protest which ended last week with the revocation of the controversial Kho Cho Ko resettlement programme.

"They have doubled the ways to step up planting and nearly half of our farmland has been quickly covered this past week," said village leader Taeng Chumheran.

"At this rate, we won't have land to go back to. If we violate the area, we can be arrested," he said.

The authorities have also erected a new sign saying that the planting is part of the province's celebrations to mark Her Majesty the Queen's birthday as a tactic to stop the villagers.

The Government inspection team will visit the controversial sites in Soeng Sang today.

The villagers plan to give the team their complaints against the department's actions which they say are tantamount to an attempt to abort the Premier's directive and the Cabinet's decision.

Apart from the replanting tactic, villagers from various provinces also alleged similar attempts by local authorities to stir conflict among villagers by supporting those outside the agreement to vie for the land while mobilising those in the resettlement scheme to press for continuation of the programme.

"The authorities are pitting us against one another," Taeng said.

The atmosphere at Soeng Sang is still tense as armed forestry officials are still guarding the village entrance while a group of armed volunteers is stationed at the nearby resettlement area.

"We want to go back. But we are afraid. Anything can happen," said Taeng, who has a price on his head.

The Soeng Sang villagers also report a steady flow of processed timber being transported from the Thap Lan National Park while the clearing of the forest continues to provide land for settlers.

More than 10,000 rai of the park forest have been cleared for farmland since April. The Forestry Department described this destruction as necessary and legal.

The resettlement area and farmland also gives access to the timber-rich park.

The villagers and advocacy groups have set up a committee to monitor the implementation of the Cabinet's decision.

Their meeting also discussed the need to revise the national forestry plan which they see, in essence, as an attempt to legalise the confiscation of land from the poor to turn it over to investors in the guise of conservation.

The committee will meet Prime Minister's Office Permanent Secretary Aphilat Osathanukro on Monday to present the villagers' alternative to the "dictatorial" Kho Cho Ko land management scheme.

They will propose several forms of ecological farming which can help the region's environmental health.

But this cannot be done without involving local people in the management of land and forest as well as giving them land security.

The committee said it will also report the local officials' resistance to Deputy Interior Minister Anek Sitthiprasat who chaired the Government's negotiation delegation.

They expressed little hope, however.

Although the Kho Cho Ko programme has been revoked, the department is still empowered by the Forest Reserves Bill to arrest the villagers.

Army Official on Khmer Repatriation Schedule

BK1307130792 Bangkok Radio Thailand Network in Thai 1200 GMT 13 Jul 92

[Text] Lieutenant General Sanan Khachonklam, the director of the Center for Coordinating Repatriation of Cambodians, says the center and the office of the UN High Commissioner for Refugees [UNHCR] have coordinated the repatriation of Cambodian refugees from seven sites in Thailand from 30 March and as of today they have repatriated 51,225 people. A total of 321,515 Cambodian refugees and displaced persons still remain in Thailand. The voluntary repatriation of these remaining Cambodians is expected to be completed before the general election in Cambodia in May 1993.

Sanan says the refugee Sites K, Sok San, and O Trav will be closed in August. The refugee Site 8 will be opened by October. The refugee site B will be closed in November, while the Khao I-Dang will be closed by December. The Site B will be closed by February 1993. [sentence as heard]

Sanan notes that after the repatriation is completed, the government units concerned will restore the former refugee sites for the benefits of the Thai people in accordance with the set program.

Reopening of Border Checkpoint With Burma

BK1007145792 Bangkok Army Television Channel 5 in Thai 1230 GMT 10 Jul 92

[Text] The Burmese authorities in Myawadi have allowed Burmese people to cross into Thailand to buy goods after the border point was closed for more than two months.

The border point at Myawadi, opposite Mae Sot District, Tak Province, was closed to border trading between Thai and Burmese people on the banks of the Moei River because Burma held Thailand responsible for allowing the Karen rebels to open fire on Myawadi from the Thai border. Burma also held Thailand responsible for the smuggling of explosives into Burma under cover of border trade, as well as several acts of sabotage in Myawadi. The closing of the border resulted in a daily loss of more than 10 million baht in border trading between Thailand and Burma.

For a little more than two weeks, Burmese authorities opposite Mae Sai District [as heard] in Mae Hong Son Province have allowed Burmese nationals to cross into Thailand to buy goods. This has also improved the atmosphere at the Thai-Burmese border in Mae Sot District, Tak Province. The border is still closed to Thai nationals or tourists desiring to cross into Burma. Border crossing is allowed only for Burmese people buying goods in Thailand. It is expected, however, that an official border opening could be made soon.

SRV Planners To Receive Economic Training

BK1107044792 Bangkok THE NATION in English 11 Jul 92 p A2

[Text] Twenty of Vietnam's top planners and policy-makers will come to Thailand to receive economic training early next year under a Thammasat University Human Resources Institute programme aimed at assisting Vietnam in building a market economy.

"This programme will also provide a golden opportunity for us to establish personal rapport with future leaders of Vietnam," said Dr Chira Hongladarom, executive director of the institute.

He said that the Vietnamese participants would be selected under a set of rigorous criteria, based on their age, job experience and potential.

"This is certainly not a sight-seeing trip for retiring officials," he stressed.

Running from Jan 15 to Feb 25, 1993, the five-week programme will include the following:

—One week of lectures on macroeconomic issues at Thammasat's Economics Faculty;

—One week of lectures on microeconomic issues at Nida's School of Development Economics;

—One week of lectures on labour and social issues at the Human Resources Institute;

—One week of study tours in Thailand;

—One week of study tours in Singapore and Malaysia.

"We certainly hope to help our friends from Vietnam acquire up-to-date knowledge about market economies and contemporary international economic issues," Dr Chira said.

"This first group of trainees can help start human networks in Vietnam, ASEAN and Japan which will be very useful in future economic cooperation," he added.

Vietnam

Cambodian Statements on SRV Troops Dismissed

BK1307142992 Hanoi VNA in English 1341 GMT 13 Jul 92

[Text] Hanoi VNA July 13—A spokesman for the Vietnamese Embassy in Phnom Penh has dismissed as ill-intentioned the statements made by President of Democratic Cambodia Khieu Samphan and KPNLF [Khmer People's National Liberation Front] President Son Sann at the July 8, 1992 meeting of the SNC [Supreme National Council] about the presence of the Vietnamese army in Cambodia.

These fabrications are merely aimed at covering up their acts against the implementation of the Paris agreement on Cambodia, the spokesman said, adding that Vietnam has more than once confirmed that all Vietnamese troops had been withdrawn from Cambodia by September 1989, and that Vietnam has not sent its troops back to Cambodia in any forms.

U.S. Organizations Demand End to Trade Embargo

BK1407065292 Hanoi VNA in English 0625 GMT 14 Jul 92

[Text] Hanoi VNA July 14—Among the many hurdles to US-VN [Vietnam] normalisation are the politicians who seek to exploit the MIA issue for political ends and the post-war syndrome experienced by many Americans.

That is the view of Madame Nguyen Thi Binh, chairperson of the Commission for External Relations of the National Assembly and president of the Vietnam Union of Peace, Solidarity and Friendship Organizations freshly back from the United States where she attended a conference of American non-governmental organisations [NGO] as guest of the US-Indonesia Reconciliation Project.

In an interview with the Hanoi English language VIETNAM NEWS she said: This was the third conference of American NGOs organised by the project. It was attended by more than 400 representatives of 175 American NGOs and the delegations from Vietnam, Laos and Cambodia. Representatives of the State Department head of the Indochina bureau and the USEF [expansion unknown] were present alongside several British and Australian organizations.

Delegates discussed latest developments in Vietnam and possible projects to help Vietnam now that the two countries have taken positive steps in improving relations. All were optimistic about the prospect of lifting the embargo and normalisation between Vietnam and the United States.

American NGOs realised that although there were prospects of lifting the embargo and normalisation of relations, they should join hands to bring stronger public pressure on the embargo—a situation not in the least beneficial to the United States itself—and to demand an end to it during this very election year. The American officials at the conference aware of this growing concern of American NGOs had to dwell at length on their government's effort in this respect. As for Vietanmese residents in the United States they show greater interest in helping their homeland and highly apprepriate Vietnam's efforts in solving outstanding problems.

At the Asian Institute in New York, American intellectuals and businessmen as well as overseas Vietnamese showed keen interest in on-going political and economic reforms as well as in investment opportunities in Vietnam. Vietnamese residents wanted to know many things about their homeland and asked what they could do to help.

Our San Francisco visit coincided with a televised reconciliation, and it was interesting to note that one of the proponents of reconciliation was none other than Nguyen Cao Ky. This much shows that although Vietnamese emigrants are still more or less uncooperative, most have softened their attitude because of new positive developments in relations between Vietnam and United States.

In short, political, economic and social organizations in the United States are well disposed towards Vietnam. But to reach the goal of normalisation, both Vietnam and its American friends have yet to overcome many hurdles. Indeed, Vietnam and the United States are involved in a "love-and-hate" relationship, as aptly described by one American.

Do Muoi, Other Candidates Meet Voters in Hanoi

BK1307140992 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 8 Jul 92

[Station correspondent Tran Trong Chuy's report on 6 to 8 Jul meetings in Ba Dinh District, Hanoi, between voters and Do Muoi and other candidates running as deputies to the Ninth National Assembly—portions recorded]

[Summary] "Dear friends: In implementing the law on the election of National Assembly deputies, over the past three days, the Ba Dinh district fatherland front committee in Hanoi made arrangements for voters' representatives in the first electoral unit of Ba Dinh District to meet with candidates running as deputies to the ninth National Assembly. On hand to meet voters' representatives were Do Muoi, general secretary of the Communist Party of Vietnam Central Committee; Chu Duy Kinh, major general [rank as heard] and head of the Hanoi Capital Military Command; and Nguyen Dac Nghia, medical doctor and deputy head of the Orthopedics Department of Saint Paul Hospital in Hanoi."

The meetings were organized in different residential areas and attended by representatives of mass societies, youth and women's unions, retired cadres, workers, scientists, and officials in charge of party and government organizations. Particularly, many elderly and vision-impaired people were also present.

"Noteworthy is the fact that the meetings all took place in an enthusiastic, constructive atmosphere and that each meeting witnessed more or less than 10 people coming forward to express their views and appreciation for the great contributions of the eighth National Assembly. At the same time, prompted by a high sense of responsibility, some of them straightforwardly pointed out the shortcomings of a number of National Assembly deputies as evidenced by their failure to go out of their way to serve voters.

"Voters in Ba Dinh District expressed their concern to candidates running as deputies to the ninth National Assembly and suggested ways to resolve concrete everyday problems. These include the increasingly serious air pollution resulting from a shift to the use of firewood instead of electricity for cooking purposes by many needy families in slump areas because they cannot foot high electricity bills, rampant corruption, and a deterioration of both sanitation work and urban development control."

"In expressing their views, candidates Do Muoi, Chu Duy Kinh, and Nguyen Dac Nghia thanked voters for their straightforward, constructive remarks and profound feelings. In response to voters' aspirations and suggestions, the candidates confidently shared their views with the audience and told them about the projects they would fulfill if elected as people's deputies. Candidate Nguyen Dac Nghia, a doctor at Saint Paul Hospital, told the audience about his cherished dream of helping with the improvement of the local public healthcare service to better protect the local people's health. As an immediate objective, he promised to work toward a public healthcare insurance program.

"Candidate Chu Duy Kinh, major general and head of the Hanoi Capital Military Command, promised whether elected or not, that he would devote his wisdom and strength to secure political stability in the capital and to improve the living conditions of members of the Armed Forces.

"In his roles as a candidate running for the election of deputies to the ninth National Assembly and party general secretary, Comrade Do Muoi thanked voters for their confidence in him and expressed his concern for the many burning social problems that people from all walks of life and members of the Armed Forces face at present. Comrade Do Muoi said:

[Begin Do Muoi recording] "Dear comrades and voters' representatives: Being nominated to run as a deputy to the National Assembly in Hanoi, I clearly realize my great responsibility to voters, people throughout the country, and compatriots in the capital. I promise to do all I can to contribute to the renovation cause, economic development, improvement of the people's cultural standard and health, and implementation of social policies, especially the policy toward families who have rendered meritorious services to the revolution, war invalids, dependents of fallen combatants, and retired cadres. I also promise to motivate people of all walks of life to respond to the emulation movement for national construction and defense, positively participate in the management of state and social affairs, eliminate all negative phenomena, and make the people rich and the country powerful along the socialist path.

"Being a National Assembly deputy from Hanoi, I also promise to positively contribute to the socioeconomic development of Hanoi to make our city truly worthy of its role as the capital of our country, as well as to help improve the efficiency of state management and city administration, look after the masses' well-being, implement the people's democratic rights as stipulated by the constitution and law, restore order and discipline, and develop a civilized lifestyle among the people of Hanoi. I sincerely thank all of you, comrades and voters' representatives, for your presence here today. I wish the election of deputies to the ninth National Assembly fine success in both the capital and the nation as a whole." [end recording]

Vu Oanh Meets Voters in Hoa Binh Province

BK1107141892 Hanoi Vietnam Television Network in Vietnamese 1200 GMT 9 Jul 92

[Text] In Hoa Binh Province on 8 July, Comrade Vu Oanh, member of the Communist Party of Vietnam [CPV] Central Committee Political Bureau and head of the party Mass Mobilization Department, together with other candidates for the Ninth National Assembly, held a cordial meeting with representatives of voters in Ky Son District of the province.

Comrade Vu Oanh and other candidates took note of the viewpoints expressed by voters representing various sectors, mass organizations, and people's strata in the district. Most of these viewpoints focused on the role of National Assembly deputies and proposals to the Ninth National Assembly to take concrete measures to strengthen the socialist legal system and maintain social order and safety. They also called on the National Assembly and the state to take measures to improve the people's daily life—especially in the economic, cultural, education, and public health domains—in areas of the Da River, the Hoa Binh Hydroelectric Power Plant lowland zone, and the highlands region.

After taking note of these ideas from voters in Ky Son District, Comrade Vu Oanh and other candidates pledged that if they are elected, they will do their best to fulfill their duties to help build Hoa Binh into a beautiful and prosperous province.

Nguyen Duc Binh Attends Printing Conference

BK1407101592 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 2 Jul 92

[Text] A national conference on printing opened in Hanoi today, 2 July.

There are two problems now facing the printing sector. They are:

—The problem of how to manage the sector in the transition to the market economy at a time when there is competition among many economic components.

—The problem of reorganizing the infrastrucutre and operations of the sector in accordance with the spirit outlined at a press and publication conference held early this year.

Comrade Nguyen Duc Binh, member of the Political Bureau and secretary of the party Central Committee, attended the opening of the conference.

At this confernce, various printing establishments throughout the country discussed and exchanged experiences obtained in doing business under the market economy. They jointly contributed their views on how to rearrange and reorganize the printing sector. They also discuss ways to develop the sector.

The conference will continue in session until 4 July.

Defense Minister Greets Army Supply Corporation

BK1207134192 Hanoi Voice of Vietnam Network in Vietnamese 2330 GMT 26 Jun 92

[National Defense Minister Doan Khue's letter to the Supply Corporation of the General Department of Economic and Defense Industries on its 30th founding anniversary—date not given]

[Text] On the occasion of the 30th founding anniversary of the Supply Corporation of the General Department of Economic and Defense Industries, 27 June 1962 to 27 June 1992, on behalf of the Military Commission of the party Central Committee and the Ministry of National Defense, I cordially convey my kind regards and best wishes to all cadres, combatants, workers, defense personnel, wounded and sick soldiers, families of the fallen combatants, and retirees of the Supply Corporation.

Over the past 30 years, under the leadership of the Communist Party of Vietnam [CPV], esteemed beloved Uncle Ho, the Military Commission of the party Central Committee, and of the Ministry of National Defense, the Supply Corporation has undergone many ordeals in building itself and becoming a mature agency. Starting from a small fuel supply unit serving the logistics department, the supply department, and the technical department, the corporation has been attached to the General Department of Economic and Defense Industries.

Various generations of cadres, combatants, workers, and military personnel have upheld the spirit of overcoming all difficulties and hardships and have consistently carried out good maintenance and protection of materials and goods. They have firmly and successfully overcome all ordeals and have endeavored to meet all material and technical requirements for combat, combat readiness, and defense production, thereby contributing to the glorious military exploits scored by our army, especially in liberating the nation and in building and defending the socialist Vietnamese fatherland.

On this occasion, I highly commend you comrades for your achievements scored during the past 30 years.

Dear comrades, to triumphantly implement the resolution of the Seventh CPV Congress, resolutions of the party Central Committee, the resolution of the Military Commission of the party Central Committee, and directives of the Ministry of National Defense, you should strive to firmly grasp and satisfactorily implement lines and policies of the party and state as well as the defense task and other work of the army and the General Department of Economic and Defense Industries in the new situation. You must firmly advance along the socialist path chosen by our party and Uncle Ho, contribute to standardizing and modernizing our army, strive to build a modern defense industry, and consistently participate in building an increasingly strong national economy.

The present tasks of the Supply Corporation are very heavy. While ensuring sufficient material and technical requirements for combat readiness activities and defense production, you comrades have to participate in carrying out economic activities to ensure high quality and the best results in your tasks.

While bringing its achievements into full play, the Supply Corporation must continue to renovate itself in all aspects, enhance its professional capability, strengthen economic management, actively and creatively carry out tasks; and consistently improve the material and spiritual life of cadres, combatants, workers, and defense personnel while striving to develop the corporation into ever stronger agency that can satisfactorily fulfill all the assigned tasks.

I wish you comrades a good health and happiness.

My cordial and determined-to-win salutations to all.

Russo-Vietnamese Commission To Tackle Debt Issue

BK1407075792 Hanoi VNA in English 0742 GMT 14 Jul 92

[Text] Hanoi, July 14 (AFP)—The first meeting of a Russia-Vietnam joint commission will be held here on July 27 to establish a framework for new relations between the two countries, former allies when Russia was part of the Soviet Union, a diplomatic source said here Tuesday.

One of the tasks of the senior Russian delegation, headed by Vice Prime Minister Valeriy Makharadze, will be to attempt to reach agreements on Vietnam's debt contracted with the former Soviet Union, the diplomat said.

The main stumbling block on the debt, estimated at about 10 billion rubles, was due to differences between the two countries on the exchange rate to apply for turning the sum into convertible currency, he said.

"Obviously each country wants to fix a rate which is in its own favour," the diplomat said.

"We will not be too demanding, but we are not ready to swallow empty words," said the diplomat who saw a settlement being spread over a number of years and in exportable Vietnamese goods, excluding oil.

Another problem concerned sharing the debt and its reimbursement between the former republics of the Soviet Union. "But in any case, Russia's portion must be around 60 percent," he said.

During the meeting, the two delegations are also expected to sign an agreement in principle on cooperation concerning some 30,000 Vietnamese who work in the former Soviet Union under previous bilateral agreements.

"The only ones staying in Russia will be those who have their work contracts renewed by the factory which employs them," the Russian envoy said.

According to the diplomat Russia has allocated loans worth 40 million dollars to Vietnam in 1992 for infrastructure projects, including the Hoa Binh power station in northern Vietnam.

He estimated that trade between the two countries this year could reach 800 million dollars.

"Our relations are friendly, but they have been depoliticised and de-ideologised," the diplomat said.

Fishery Cooperation Agreement Signed With Russia

BK1107075692 Hanoi VNA in English 0630 GMT 11 Jul 92

[Text] Hanoi VNA July 11—V.F. Korensky, head of the Fishery Commission under the Ministry of Agriculture of the Russian Federation visited Vietnam from July 3-8 as guest of Minister of Aquatic Products Nguyen Tan Trinh.

An agreement on fishery cooperation was signed on this occasion.

On July 6, First Vice-chairman of the Council of Ministers Phan Van Khai received Mr. V.F. Korensky and his party in Ho Chi Minh City.

Diplomatic Relations Established With Kazakhstan

BK1207145092 Hanoi VNA in English 1418 GMT 12 Jul 92

[Text] Hanoi VNA July 12—The Vietnamese Embassy in the Russian Federation and the Ministry for Foreign Affairs of the Republic of Kazakhstan have exchanged notes on the establishment of diplomatic relations at ambassadorial between the two countries.

Manufacturers Accuse PRC of Dumping Products

BK1407080992 Hong Kong AFP in English 0725 GMT 14 Jul 92

[By Andrew Sherry]

[Text] Hanoi, July 14 (AFP)—Vietnamese manufacturers say they are getting swamped by a rising tide of cheap Chinese goods imported by sophisticated smuggling rings and other traders since the start of the year.

The textile industry is hardest hit, with nearly 40 percent of Ho Chi Minh City's small workshops closing down over growing stockpiles of unsold fabrics, the city's TUOI TRE (Youth) daily said in a report seen here Tuesday.

"Production of construction steel, water flasks, glass and several other products is also on the brink of collapse, the paper said.

Tong Hi Thanh Tuyen, deputy director of Ho Chi Minh City's industry office, accused the Chinese of dumping goods on the Vietnamese market below cost to liquidate their overstocks.

"Some of these goods that have travelled thousands of miles to reach Vietnam are of such poor quality that they cannot be sold in China," she said.

Vietnamese importers are also to blame because they "are only interested in low-priced goods and pay little attention to quality," she told TUOI TRE.

Cross-border trade between China and Vietnam has soared since the two countries normalised relations last November, but central government efforts to manage it seem to have met with mixed success.

Local authorities and smugglers still appear to control the bulk of the trade, and neither group has shown much concern for import targets set by the central government in Hanoi.

When central authorities imposed new tax and identification requirements in May, this provoked a boycott by porters that effectively closed the border for a few days in Lang Son province, according to reports from the province.

The army daily QUAN DOI NHAN DAN said Tuesday that tax avoidance remains rampant, with Lang Son reporting trade tax revenues of just 755 million dong (66,000 dollars) in the first three months of the year.

Neighboring Quang Ninh Province—where the volume of trade is believed to be small—reported tax revenues 20 times higher.

A small number of organisations dominate the contraband racket using sophisticated methods that make old-time smugglers look like amateurs, a Ho Chi Minh City [HCMC] economic official told TUOI TRE.

"The station in HCMC, this end of the marketing line, will report daily to the Hanoi station the up-to-date order of 'end retailers' and the goods will be trafficked from Hanoi to the south by air within a couple of days," Tran Cuc said.

The average size of smuggling cases uncovered has increased from 6,000 dollars last year to tens of thousands of dollars now, he estimated.

Large quantities of Chinese goods also enter Vietnam as part of the barter deals that are a regular feature of cross-border trade.

"There are several reports that Vietnamese companies are [words indistinct] only cheap goods, but there seems to be no way of slowing this massive movement nor persuading the people not to buy them," TUOI TRE said.

At the start of the year, local firms controlled 80 percent of Ho Chi Minh City's main wholesale textile market, but "that golden era is definitely over now."

In addition to the small workshops that have shut down, big firms like the Dong Hoa cooperative have cut back production, the paper said.

Cross border trade was worth 67 million dollars in the first 10 months of 1991, up from 40 million in 1990, according to semi- official Chinese figures.

Hanoi has not released figures for 1992, but provincial officials have estimated that volume had at least doubled since normalization.

Vietnam exports mainly primary products such as rubber, sea food and agricultural produce to China and imports construction materials and manufactured goods ranging from beer and textiles to light machinery and electronic equipment.

TUOI TRE charged in another article that dozens of medicines banned by Chinese authorities earlier this year because of hazardous side-effects are now on sale in Ho Chi Minh City, advertised as instant cures for diseases or sex problems.

"Consumers are considering them as magic drugs and are ready to buy them at prices five or even 10 times higher than Western pharmaceuticals of the same use," it said.

Over 200,000 Chinese Touring Country This Year

BK1207132092 Hanoi Voice of Vietnam in English 1000 GMT 12 Jul 92

[Text] Foreigners can now join group tours from Southern China into Vietnam. The Vietnamese tour service said that the State Council of Beijing has allowed the southernmost province of Guangxi, which bordering Vietnam, to open tours to foreigners to meet demand.

More than 200,000 Chinese took one-day, three-day, and four-day tours into Vietnam from Guangxi in the first six months of this year.

Meanwhile, groups of overseas Chinese living in Ho Chi Minh City, will be the first to visit China since the two countries normalized relations in November last year.

Chinese Women's Delegation Visits Vietnam

BK1407070192 Hanoi VNA in English 0619 GMT 14 Jul 92

[Text] Hanoi VNA July 14—A delegation of the Chinese Women's Federation led by Vice President Lin Liyun paid a weeklong visit ended July 11 to Vietnam as guest of the Vietnam Women's Union.

While here the Chinese delegation met with leading officials of the Vietnam Women's Union during which the two sides exchanged exprience and discussed measures to develop their bilateral cooperation in the years to come. It also called on the National Assembly Commission for Healthcare and Social Affairs, the Union of Peace Solidarity and Friendship Organisations, and Vietnamese- Chinese Friendship Association, and toured various cultural and historical establishments in Hanoi, Hai Hung province, Hai Phong, Ho Chi Minh City and Vung Tau. It was received by Vu Oanh, politburo member of the Communist Party of Vietnam Central Committee, and Nguyen Thi Dinh and Truong My Hoa, honorary president and president of the Vietnam Women's Union.

Tam Phuong Water Project Increases Land Yield

BK1307152992 Hanoi VNA in English 1341 GMT 13 Jul 92

[Text] Hanoi VNA July 13—A water control project built with Australian assistance in Tam Phuong area of the Mekong River Delta province of Cuu Long has helped almost quadruple paddy output in the region.

The Tam Phuong Water Control Project was completed at the end of December 1989 with financial aid of USd 5.1 million from the government of Australia and contribution of 1.8 billion dong by the locality. The project includes four main canals and sluices, 49 secondary canals and sluices and hundreds of tertiary canals to control saline water intrusion and drain area of about 7,000 hectares in Chau Thanh District.

Before 1985, most of the land could be grown with one crop a year which gave as little as 1.6-1.8 tons per hectare. Now the yield has to three tons per hectare and here cultivation of two crops a year has been made possible even 5-8 tons hectare.

The rice area serviced by the project has expanded to 9,646 ha/year, and output to 36,456 tons of paddy, up by 3,356 hectares and 27,000 tons of paddy compared with 1985.

Netherlands Explores Aiding Aquatic Projects

BK1407094092 Hanoi Voice of Vietnam in English 1000 GMT 6 Jul 92

[Text] A delegation of the Dutch Government has toured the Mekong River Delta in south Vietnam to explore the possibility for Dutch-funded project on aqua-product development. The project, to be executed over four years at the cost of about US$600,000, will center on personnel training, research, application of scientific advances, and promoting fishery. The project is aimed to help poor fishermen in the Delta raise their income and also to protect the environment.

Council Chair Urges Increased Cotton Production

BK1407111792 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 6 Jul 92

[Text] To promptly reduce cotton imports, the chairman of the Council of Ministers has sent a note to the State Planning Commission, the Ministry of Agriculture and Food Industry, the chairmen of various provincial people's committees, and relevant sectors, asking them to satisfactorily implement the following essential measures:

—The Ministry of Agriculture and Food Industry should meet with the people's committees of various provinces to work out a plan for increased cotton growing in three regions—Eastern Nam Bo, Central Highlands, and Northern Mountain areas.

—The State Planning Commission should hold a conference to discuss a socioeconomic development plan for 1993 and the ensuing years for the entire country, particularly for the aforementioned three regions. A report on this conference is to be made available before August.

—Efforts should be made to guide peasants in quickly expanding their cotton growing areas in the three regions with a determination to put over 15,000 hectares under cotton in this winter cropping season.

—With cotton to be grown mainly by peasants, various supply corporations of the central and local authorities should provide such services as seeds and fertilizer supply, insect control, product marketing, and technical guidance.

New Zealand

Bolger on Conventionally Powered U.S. Ship Visits

LD1307093792 Wellington Radio New Zealand International in English 0800 GMT 13 Jul 92

[Text] The New Zealand prime minister, Jim Bolger, says there is nothing to stop conventionally powered American ships visiting New Zealand now that President Bush has announced the withdrawal of nuclear weapons from naval vessels. Foreign Minister Don McKinnon has suggested the Americans are unlikely to resume visits until New Zealand's antinuclear law is changed. But Mr. Bolger says it is (?now) easy to change that:

[Begin Bolger recording] What we have now from both the prime minister of Britain and from the President of the United States the categorical statement that nuclear weapons are not on their ships, and that clearly is a sufficient authoritative statement for any prime minister in New Zealand to be able to say: Look, those ships can come into New Zealand and comply with the existing law. [end recording]

Mr. Bolger says visits will depend on ships being in the vicinity rather than making a special trip.

Naval Detachment To Join UN Forces in Cambodia

BK1407032692 Hong Kong AFP in English 0217 GMT 14 Jul 92

[Text] Wellington, July 14 (AFP)—New Zealand will send 31 naval personnel to join the U.N. peace-keeping forces in Cambodia, Foreign Minister Don McKinnon said Tuesday. The United Nations will operate coastal and riverine surveillance in international observer groups of two or three people.

McKinnon said in a statement he understood Britain, Canada, Chile, Uruguay and the Philippines were also providing personnel for the 376-strong U.N. naval unit.

The naval unit will bring the total New Zealand defence personnel in Cambodia to 97, making it the country's biggest-ever contribution to a single U.N. effort. The previous largest contingent was of 79 police officers who joined a U.N. force in Cyprus in the 1960s.

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Everyone underestimated the problem and assumed they could cope with qualitative issues in the future and somehow survive, but they are squarely confronted by the issues now." The doyen then heaved a deep sigh of concern and finished by saying, "We cannot expect much from the government's emergency economic countermeasures."

Former Presidential Special Assistant Brzyzinski, who stayed in Japan just after the oil shock, described his impressions of Japan as he left the country by saying, "Japanese managers unanimously state that the situation is serious and explain the reasons clearly. However, no one ever talks of abandoning his job or selling off a business." They are of a conservative diathesis that cannot reject uniform concepts and established facts. He was saying that the age of quantitative expansion permissible under such a state has ended and that Japan is now in an age where businesses and the Japanese economy should prune whatever is superfluous and undergo resurrection after a qualitative change.

Bursting Bubble Has Effect on Policy-Issuing Authority Too; "Government-Private Sector Monolith" Cannot Continue

The bursting of the bubble scored a direct hit on shareholders and real estate firms. This was followed by securities firms that suffered losses in the disposition of cases compensating for losses incurred by customers in securities trades and in the financial manipulation to conceal unrealized losses, and by manufacturers who borrowed funds cheaply and used them as capital to make huge investments that expanded the gap between supply and demand. Finally, effects of the bursting bubble are reaching banks hit by a slowdown in the demand for capital and accelerated increase in nonperforming loans.

Effects of the bursting bubble have hit the policy-issuing authority, and the Bank of Japan is in a state of confusion as financial policies are paralyzed. A president of a financial firm affiliated with a trading company states, "Even if they attempt to maintain interest rates at a high level, they fall with a thump. Even if they want to manipulate markets, the dearth of notes and government bonds prevents such moves. The MOF escaped culpability in connection with the financial and securities scandals, but it has defended its authority so as to give the impression of having "grown more powerful as a result of the scandals." However, the shortfall in tax revenues is conspicuous and there is talk of a revenue shortfall reaching 10 trillion yen in fiscal year 1992.

Bureaucratic and Civilian Sector Views Are Clearly Divided on Reason Why Government Action Increases

Question	Private Business	Government Agency (MOF and MITI)
It appears that the growing intensity of the depression and friction increases government actions in the form of increased guidance and regulation. What do you think of this situation?		
Undesirable and should refrain from action	77.3%	48.8%
Action is appropriate	18.2%	39.0%
Other	4.5%	12.2%
Why do you think government actions increase?		
Coordination is required by private businesses that have a strong awareness of coordinated actions	40.8%	57.8%
Private business seek protection	4.1%	6.7%
Government refuses to surrender authority and attempts to intervene	49.0%	4.4%
Other	6.1%	31.1%

What Items Do You Feel Are Important to the Reform of Current Government-Private Sector Relations? Please Prioritize.

	Private Business	Government Agency (MOF and MITI)
Political reform	3.7 points	3.3 points
Administrative and financial reform	3.9	2.7
Reform of business behavior	3.1	3.2
Reform of consumer (general public) awareness	2.8	3.7
Other	0.1	0.4

Note: Of the various itemized options, a score of 5 was assigned to the item with the highest priority ranking, while those that followed were assigned scores of 4, 3, and 1, respectively. This was followed by the calculation of average scores shown above. (Responses which were not ranked were assigned a zero.)

A former official of the Bank of Japan summarizes the reaching of limits by Japanese-style systems by commenting, "Government-guided projects since the rebuilding of the Japanese Archipelago, such as decentralization of Tokyo's metropolitan functions and revitalization of regional economies based on the creation of hometowns and resort construction laws, have only led to destruction and pollution of the wilderness. Agriculture, which is a semi-state-run industry involving the control of prices and distribution, faces the fate of collapse because of the shortage of successors as long as they maintain current farm policies, and even if they are able to reject the liberalization of rice imports. The land issue has been plagued with failures from beginning to end. Public works projects are hamstrung by budget stalemates and vertical subsidy systems, resulting in repeated inconsistencies, wherein required facilities are not constructed where required, and now face financial failure."

The former official of the Bank of Japan continues, "Industrial protection and cultivation which succeeded temporarily created vested interests in domestic industrial areas where regulation plays a strong role, such as transportation, communication, and distribution, and low productivity has caused disparities in domestic and international prices. Even in the export industry arena which was supposed to have moved toward civilian initiatives, competitive strength is strong, but international friction resulting from collusive behavior of businesses, which lack a sense of risk and criticism of domestic impoverishment have led to government intervention. Financial and securities industries, which maintained a government-private-sector monolith under the name of public interests, madly engaged in a competition of quantitative expansion resulting in the expansion of the bubble."

In the survey which addressed the same questionnaire to bureaucrats of the MOF and MITI and managers of financial firms and businesses in general, the percentage of respondents who answered that "government guidance" and "government-private sector monolith" were "realistic terms" included 74 percent for managers and 49 percent for bureaucrats. However, responses to the question,"Can the current government-civilian relationship be maintained?" the answers were,"They cannot be maintained" in the case of 81 percent of the managers and 63 percent of the bureaucrats."

Administrative Reform Failed To Include Essential Items

Each ministry reviews administrative procedures based on ministry and bureau interests.

If the Heisei depression is considered to reflect strong elements of being rooted in "systemic fatigue" emanating from having reached the limits of Japanese-style systems, substantive diathetic reform, which may appear to be a circuitous approach, should serve as a conclusive way of breaking the current stalemate.

The government-guided, government-civilian-sector monolithic behavior of the past no longer provides businesses with the dispersion of risk, but on the contrary increases risk. Both government and private sectors are struggling to free themselves from such situations. It appears they will not be able to avoid some financial losses in the process of adjusting for past mistakes such as excessive loans, excessive capital investments, and excessively inflated business structures.

Lessons learned here probably dictate that businesses themselves realize the risks of coordinated behavior, and cultivate the ability to judge the timing of directional changes before they suffer irreversible damage, as well as the courage to take actions independent of others. A source at Kyocera Corporation comments, "It's a question of whether we can realize the value of considering the mimicking of others as a deadly shameful act." Businesses cannot avoid a change in that direction, because they've reached the stage where failure to do so will place their safety at risk. Jiro Ushio, chairman of Ushio, Inc, asserts, "If the civilian sector does not place a request, government will not play a role." This new reality will initiate an improvement in government-civilian sector relationships.

First, we must return to the starting point and come to grips once more with administrative reform, which has faded as an issue. The post-World War II history of administrative reform goes back to the First Provisional Commission of 1964 whose report was titled, "Opinions Concerning Reform of Such Matters as Permits and Licences" which sought relaxation of administrative intervention and regulation. The principal topics covered by the Second Provisional Survey (Doko Provisional Commission) which was initiated 10 years ago, was the review of the role, parameters and policies of government. The purpose was consistently upheld as the reduction of government authority and relaxation of regulation.

However, the Doko Provisional Commission concentrated its energies on the establishment of a zero ceiling for the national budget and privatization of the three public corporations, i.e., the national railways, telephone and telegraph, and the tobacco monopoly, amidst the then fiscal deficits and world efforts to revitalize the civilian sectors. This was in the face of former Prime Minister Nakasone's (then director of the Administrative Management Agency) perception that these developments would serve as a propellant for stimulating the Japanese economy, and being overwhelmed by the economic reconstruction strategy of the MOF, according to sources at the provisional commission.

Such moves had their desired effects, but nothing was done on the very important administrative aspect. Chairman Ushio, who was a member of the Doko Provisional Commission reveals, "The continuation of the zero ceiling for as many as 10 years caused a hardening in the defensive positions of each ministry and agency and an intensification of sectionalism. The barriers against the Third Provisional Commission became increasingly insurmountable. This was an unanticipated development."

The optional comments section of survey questionnaires returned by one MOF bureaucrat stated, "The abuses of vertical administration among ministries and agencies is scandalous. It is hard to believe that the loyalties of the bureaucrats of the ministries and agencies rest with the ministry or agency to which they are assigned rather than to the nation." One MITI bureaucrat expresses the view, "The various ministries of Kasumigaseki revolve around ministry and agency interests. Coordination with national interests is a crucial issue." He then proposes, "About five former vice ministers should be appointed as deputy cabinet ministers to audit the administrative actions of the various ministries from the standpoint of national interests.

Increasing Criticism of Reciprocity; Separation of Financial and Securities Functions From MOF

A source who was with the provisional commission states that even now there are some who feel, "The Doko Provisional Commission should have given serious consideration to the breakup of the MOF." Among those huge organizations that were dismantled or reorganized after World War II, those that remained unscathed included economic agencies, namely the MOF and banks in the civilian sector.

Increased criticism is being voiced concerning the internal reciprocity of the MOF which covers the taxation, fiscal, and monetary areas. However, an MOF chief executive expresses disagreement in saying, "Regardless of what type of organization you build, there will always be the trade-off factor. The essential feature is coordination and there is nothing that warrants criticism." However, the skepticism concerning NTT stock is warranted in view of the goals of the state-owned property management (Financial Bureau) and fiscal administration (Budget Bureau) which respectively are of the opinion that state-owned assets should not be sold cheaply and that the proceeds should be used for fiscal reconstruction. According to a former executive of the MOF, the reason why the MOF did not approve a request of the banks when a (city bank president said, "We want to set up a bad loan reserve," was that,"Aside from a judgment concerning practical procedures, there is no denying that consideration was given to tax revenues."

Perhaps it can be said that unspecified internal conditions of the MOF caused a distortion in securities and banking administration which should provide priority treatment to the health of markets and banking operations. The discretionary comments sections of the survey questionnaires had comments by business men "suggesting separation of financial and securities functions from the MOF." A former official of the Bank of Japan asserts, "There's no reason to leave banking and securities administration in the MOF."

"Civilian Sector Was Not the Original Target"; Administrative Guidance To Be Abolished as a Matter of Principle

The financial and securities industries, which operate under a permit system, and industry in general cannot be placed in the same category, but relaxation of official regulation should be coupled with the basic abolishment of government guidance based on administration by circular as a means of encouraging self-reliance of businesses. A probably common perception of government and private sectors is a view expressed by a MITI bureaucrat in a survey questionnaire saying, "A government-private sector relationship that should be improved is none other than excessive administrative intervention and the regulatory problem posed by the Ministries of Transportation; Agriculture, Forestry, and Fisheries; Post and Telecommunications; and Construction and Labor."

Keiichiro Niwayama, president of the Japan Home Loan Company and former MOF official, who participated in the reform of the government system under the Emperor System period and the preparation of the National Government Organization Law and laws establishing various ministries and agencies, testified, "We did not envision administrative guidance. Administrative guidance was to be exercised by a senior government agency over a subordinate government agency and was not intended for application over the private sector."

The objective of administrative reform was the guarantee of fairness, impartiality, and transparency of procedures used in government actions. This was the reason why one of the important items handled by the Third Government Reform Council was the "Administrative Procedures Law." The draft outline of the procedures law does not prohibit administrative guidance per se, but prescribes the responsibility for documented justification, disclosure of contents and public disclosure of decision criteria in connection with administrative guidance, unfavorable disposition and final disposition of applications.

An official of the Management and Coordination Agency explains, "Administrative guidance uses persuasion for a purpose but is not imperative in nature. Whether or not the targeted party complies is discretionary, which means the term violation of a circular makes no sense." The "penalty" imposed on securities firms during the securities scandals was "self-discipline" and "voluntary suspension of operations," because the problem could not be disposed of as a "violation of a circular."

The reasons why the civilian sector complies with administrative guidance, despite the above facts, may be it is grateful for the protection it receives in exchange for compliance with regulations, while a positive reason conceivable is coordinated action by an industry could be beneficial (since it could serve as protection against alleged violation of antimonopoly laws) and a passive reason conceivable is that licensed industries fear intensive investigations in connection with operational inspections by tax auditors of the National Tax Administration Agency, commonly known as "economic policemen."

Businesses have become aware of the necessity to coordinate with international behavioral standards in connection with the issue of trade friction. This is because businesses sense risk in the increased interest exercised by various governments concerning business activities, such as the U.S. Government's extraterritorial application of antimonpoly laws. Definition of areas of business activities is the responsibility of government, but a top executive of a leading electrical equipment maker comments, "You'll make a mistake if you think only in terms of Japan (MITI)." There is much less risk in the format contemplated by such agencies as Kiedanren calling for "coordination by the government centered around tripolar civilian consultations including Japan, the United States and the European Community (EC)."

As long as abuse of authority by government and expectations of reciprocal compensation from the private sector are not eliminated, no amount of tinkering with the system will result in meaningful change. What is needed is a reform of the system itself.

In response to the question, "Why does government intervention increase?" 58 percent of bureaucrats answered, "Coordination is required by private businesses that have a strong awareness of coordinated actions, but businessmen displayed conflicting attitudes wherein 41 percent assigned blame to "businesses' awareness of coordinated actions" and 49 percent assigned blame on "Government refusal to surrender authority." (See table.)

Exercising a tight hold on vested interests and seeking expansion of authority at every opportunity, are characteristic of bureaucratic organizations throughout the world, but if there are any illogical features peculiar to Japan, they should probably be reformed.

Life's Infrastructure in "Bureaucratic Circles" Undergoes Turbulence; Align Employment Conditions of Government Employees With Civilian Sector

Japanese bureaucrats were considered elitists yesterday and today. Bureaucrats according to a department head at MITI content themselves with "low pay comparable to the income of families on welfare" while employed by the government, not only because "exultation of official life over private life" strongly persists as a traditional view, but also because their lifetime incomes show a favorable economic comparison after they go to their second or third higher paying job as ex-bureaucrats after retirement.

However, the above situation may have been applicable when there was a manpower shortage, but life's infrastructure for "bureaucratic circles" has undergone turbulence. A former bureaucrat who retired as a department head in the head office of MITI, comments, "One faces a miserable situation if he fails to win in a competition for the position of bureau director. Even if one is lucky enough to become a bureau director and accepts a job in the civilian sector in his mid-50's, since his qualifications are of no use, the only jobs to be found are limited to two-to-four-year durations. Most of them eventually are employed by government organizations, public corporations, or industry organizations in a process known as "J-turn." This results in a situation where both the individual concerned and the employer are unhappy. Even employment opportunities of this type are decreasing, and it is obvious that sooner or later there will be no place for accommodating bureaucrats."

Bureaucrats are also salaried workers. It would be futile to tell bureaucrats to stop seeking jobs in the civilian sector, or to censure bureaucrats for expanding authority in areas where they may benefit career-wise under these unstable conditions. Ken Moroi, chairman of Chichibu Cement Company, Ltd, asserts, "Age, wage, and bonus benefits of bureaucrats should be adjusted so that they are comparable to those of the civilian sector." In addition, a system should be established to utilize government employees beyond age 60 as specialists, similar to the system for diplomats, or to break down the closed nature of bureaucratic circles by promoting interchanges with the civilian sector.

Provides Stage for Activities of "Zoku" Dietmen; Discontinue Practice of Exercising Control Over Budgets and Authority

A zoku is a group of Diet members who exercise in a particular field, policymaking expertise and contacts generally acquired through service as chairman or vice chairman of the appropriate party policy deliberation committee.

The main purpose of administrative reform is to prevent the excess growth of government, to clarify the roles of government and private sectors, and to transfer authority and responsibility to local governments. It envisions the establishment of a small but strong government, an independent private industry, and a grass-roots democracy.

A centrally concentrated system of authority, which handles local government work, coordinates interests in industry, and exercises control over budgets and authority, serves as a stage of activities for "zoku" dietmen to intervene in administrative decisions as representatives of the local electoral district and related industry interests. It also serves as a hotbed for political and government collusion and corruption. Both the Recruit incident and the Tokyo Sagawa Rapid Transit scandal were triggered by attempts by businesses to corrupt politicians to overcome government regulations.

"If government is strong because politics are fragile," as stated by Chairman Moroi, the recovery of reputation and authority by politicians is necessary for government to fill an appropriate role. This is why it is said that government reform and political reform go hand in hand.

If a conclusion is drawn that the problem lay in the collusion among "political, government, and business" sectors, the reality is that the problem becomes diffused as the responsibility of the general public that chose such a system and a possible solution disappears. However, as long as the administrative problem and government-private sector problem represent a diathesis issue deeply rooted in the Japanese and Japanese society, we cannot avoid dealing with the problems.

Many of the opinions expressed by bureaucrats in response to the survey questionnaire stated, "If excessive intervention by government exists, it appears the causes were the nature of the general public (including the mass media) which frequently questions government responsibility, politicians which join in such questioning, and the self-protective stance of bureaucrats who try to avoid responsibility." In response to the question, "What are the priorities which should be assigned to items deemed important in improving the current government-private sector relationships?" managers placed importance on, "government reform" and "political reform," while bureaucrats placed "reform of awareness on the part of consumers (general public) at the top of the list. This is a reflection of routine issue awareness. (See table.)

System reform is an issue that must be undertaken, but in order to attain the effectiveness envisioned in any system, we must accompany system reform with awareness reform on the part of the Japanese, that will rid them of presumptuousness and collusive practices and makes them self-reliant. Otherwise, system reform would serve no practical purpose.

[Box, p 26]

Strong Political Power Is Required To Reduce Authority; Political Reform Should Come Before Government Reform

By Masaharu Gotoda, LDP Chairman of the Executive Council

Government and government organizations which tend to overexpand in any country should be monitored under the delicate balance of public burden and efficiency.

Ever since it embarked as a modern country based on the cabinet system initiated in 1885, Japan has existed for 100 years centered around the Emperor, with the objective of building a prosperous country with a strong military and increased industrial productivity. During that period, the Japanese have hardly any history of succeeding in government reform. Before World War II, an attempt was made at improving organizations and personnel distribution under the name of "government rationalization" to alleviate the burden on the general public occasioned by military expansion, but did not succeed. An exception was the post-World War II reform implemented during the occupation and aimed at weakening Japan. The reforms implemented during Nakasone's government were in tune with the trends of the world at that time, and appear to have scored success in their own way, but left three issues unresolved.

The first unresolved issue was that basic national government operations called for production expansion as the supreme goal to catch up and surpass the West, leaving the problem of government neglect of the interest of the general public and consumer.

The second unresolved issue was that politics and government reflected the characteristic of overcentralization as well as the unnecessary practice of providing excessively detailed guidance. This is the issue which relates to transfer of authority to local governments.

The third unresolved issue is that we must rectify somehow the "government guidance" system that is unprecedented in the world. We do not disapprove of the system in its entirety, but the current status reflects lack of responsibility. When a problem arises, the government says, "We lack the authority", and the private sector says,"The government office told us to do it this way," thus creating a state of abuse where no one assumes responsibility.

We face a period of precipitous change wherein the collapse of the East-West confrontation calls for the building of a new world order. The rebuilding of the world order is linked with the issue of reorganizing domestic systems in all nations. The issues facing Japan are domestic restructuring through government reform and international contributions exclusive of the military element.

As strong resistance will be posed by bureaucrats against any reform calling for reductions in authority, they will be difficult to implement without a cabinet possessing very strong political strength. We must admit that the state of politics at this crucial stage is in a regrettable state. Politics which serve as the basic element for all things must gain the confidence of the general public. Government reform must be preceded at any cost by political reform. [end box]

[Box, p 27]

Can Vested Interests Be Abandoned? The Time Has Come When Many Difficulties Must Be Faced

By Eiji Suzuki, Chairman, Provisional Administrative Reform Promotion Council

Since engaging myself in administrative reform work, I have become keenly aware of the words of former U.S. Secretary of the Treasury Regan, when he said, "Whether or not Japan can continue to grow economically in international society will depend on whether it can rid itself of vested interests and territorial rivalry."

Japan is paralyzed by prosperity. Japan Railway and NTT underwent spectacular reform, and the country was thought to have extricated itself from a deficit status, but it turned out to be a bubble. Some express the opinion that administrative reform is no longer required, but almost nothing has been done concerning the essential aspects of bureaucratic government and political systems. We are now at a stage of chaos, where one order has reached its limits and confusion reigns as we move to a new order. The world as well as Japan must face many difficulties before it can realize the dividends of peace.

As we proceed to a society of senior citizens, the fiscal situation worsens, and no thought can be given to tax reductions. The question is how can we replenish the fiscal coffers. If we think like we did in the past where we avoid the issue of vested interests, we'll fail in identifying new sources of revenues.

The Ministry of Welfare should provide for public disclosure of government information and tell the general public that government annuity funds face a crisis. If no changes are made, no one believes that the general public's liability by the year 2010 will be less than 50 percent. If the birth rate drops and vacation time is increased, the question is, how is productivity going to be maintained? We are debating on the premise of a give or take 4 percent growth rate, but is this realistic? Budgetary approvals for local convalescent homes and bridges are not forthcoming unless daily visits to government offices are made under escort with dietmen, indicating the public sector is at the mercy of government offices. The question is, can society afford to waste time on such endeavors?

Since a regulated society is not acceptable, we will seek a halving in public regulation. Government intervention will be restricted to cases where they are visible and accepted by the general public. Short of that approach, there'll be a problem with morale. We must first discontinue unnecessary regulation. Next must come transfer of authority to local government. Bureaucrats are all wise and say nothing, as they feel to do so would be futile, but the situation now reeks of the calm before the storm. The clock is steadily clicking away.

When considering government issues, we cannot limit our criticism to government or politics. We sit back in self-content over vested interests as we enjoy our existing status. The same can be said of myself. I've served as company president, company chairman, and now as company consultant, but there's a limit to self-complacency. [end box]

Many Retired Officers Employed by Defense Firms

92P30112A Tokyo GUNJI KENKYU in Japanese Jun 92 p 103—FOR OFFICIAL USE ONLY

[Article by Gentaro Kitazato in the "Roppongi Radar Site" column: "Unfathomable Ground Staff Office Personnel Move"]

[Excerpt] An unidentified defense industry company has been investigated by the Board of Audit. It seems that the matter under investigation was resolved, but while auditing the firm's cost accounting, it seems there were very touchy exchanges with former uniformed officers of the Japan Defense Agency [JDA] now in "amakudari" positions [lucrative post-retirement positions in private industry].

With the end of the cold war, there have been loud calls among the opposition parties to reduce the size of the JDA and the Self-Defense Forces. There is certainly a sense of stagnation throughout the defense industry. Given this, the idle existence of amakudari generals is being closely examined.

Concerning Ground Self-Defense Force [GSDF] generals who hold amakudari postions, this has turned into a market where in addition to their pensions, former chairmen of the Joint Chiefs of Staff receive an annual salary of 17 million yen [$136,000], former GSDF chiefs of staff receive 15 million [$120,000], and generals at the level of army commanding general receive 13 million yen [$104,000]. There are never fewer than 10 of these people per [defense] company, who receive high salaries without contributing anything to the company. If major generals and colonels are included, this figure exceeds 20. If all their high salaries are included in the cost of weapons and equipment, it unnecessarily mistates costs.

It is definitely not the case that defense industry companies must provide amakudari positions for these former uniformed personnel in order to receive contracts. The companies say this is a common practice—if someone from a staff office solicits a position, they will give him one, but they have no special expectations of these people in amakudari positions. Isn't this a big waste?

Of course, some of these officers certainly possess special abilities. Furthermore, it would be very inconvenient if there were no amakudari at all. But there are too many former officers in each defense company. Even in the PKO law, "civilian control" is frequently mentioned, so shouldn't it be natural for the Personnel Bureau—an internal bureau of the JDA—to intervene in the reemployment of high-level officers? If one thinks about it, wouldn't the establishment of a committee which included the chiefs of the support offices of the three staff offices of the Self-Defense Forces rectify things, such as eliminating the discontent of civilian retirees who are less qualified than the military officers? [passage omitted]

Parties Urged To Debate Responsible Policies

OW1307084192 Tokyo YOMIURI SHIMBUN in Japanese 11 Jul 92 Morning Edition p 3—FOR OFFICIAL USE ONLY

[Editorial: "Responsible Policy Debates Urged"]

[Text] The 16th House of Councillors elections have started. With an eye toward the 26 July voting day, each party and candidate has come up with various proposals.

Needless to say, the assessment of a political party should basically depend on the merit of its policies. Moreover, policies are not mere slogans or catchphrases. Only proposals backed by feasible methods and means of implementation can be called policies.

The world has changed dramatically since the last upper house elections three years ago, as symbolized by the disintegration of the USSR. All political parties and candidates should put forth their domestic and foreign policies, taking into consideration such historical changes, and submit them to the voters' judgment.

In this sense, in connection with the UN Peacekeeping Operations (PKO) Law, which is a major issue in the

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upcoming elections, the Social Democratic Party of Japan [SDPJ] and others claim that this is an issue of "war or peace."

To this, Komeito Chairman Ishida says, "We should not go into premature arguments such as whether this law will open the way to a conscription system." In the words of Chairman Ouchi of the Democratic Socialist Party [DSP]: "To call the PKO law a law that provides for the overseas dispatch of a military force is to confuse white and black."

It is necessary for the voters to determine firmly whether activities for peace undertaken at the request of the United Nations can open the way to war.

It is our impression that, compared to Komeito and the DSP, the Liberal Democratic Party [LDP] lacks enthusiasm in talking about the PKO issue. As the ruling party, the LDP has a responsibility to give a meticulous explanation to the voters.

Recalling the consumption tax issue in the upper house elections three years ago, we can see how irresponsible the tactic of appealing to the people's emotions can become.

At that time, all the opposition parties provoked negative sentiments against taxes under the slogan that the consumption tax was the "ultimate evil tax." Many voters succumbed to this provocation. No one wanted new taxes. However, if the consumption tax had not been introduced, our national finances would now be in much worse shape.

In the present upper house elections, all the political parties have included measures to stimulate the economy as major items in their election promises. Both the ruling and opposition parties are presenting nearly identical proposals for 6 trillion yen in public investments. Except for the LDP, all the other parties also are calling for 1-2 trillion yen worth of tax cuts. However, what are they going to do with the revenue? Have they retracted their call for abolishing the consumption tax? We hope they come up with a coherent answer.

On political reform, all parties agree in general on the need for reform. Yet, it is unsatisfactory that they have not touched on basic reforms involving even the election system.

In the current elections, many mini-parties are once again participating in the political process. While dissatisfaction with existing parties is a worldwide trend, in Japan's case we must ask to what extent can the new parties absorb such discontent. Many of them are too "specialized" and appeal to voters only in limited policy areas. A few of them do not even have anything resembling a basic policy.

We must remember that those political parties forwarding proposals only in specific policy areas will be asked to make judgments on all policy issues once they occupy a seat in the Diet.

The voters should take into consideration the basics of the duties of Diet members, compare and study the contents of the policies upheld by each party and candidate, and make a level-headed decision.

SDPJ's Tanabe Views PKO Law, Diet Reform

OW1307034392 Tokyo NIHON KEIZAI SHIMBUN in Japanese 12 Jul 92 Morning Editio p 2—FOR OFFICIAL USE ONLY

[Text] Makoto Tanabe, chairman of the main opposition Social Democratic Part of Japan [SDPJ], held a news conference on 11 July at an hotel in Nagasaki City which he was visiting on a stumping tour. Referring to his party's measures to deal with the UN Peacekeeping Operations (PKO) Cooperation Law, Chairman Tanabe said that he would "ask the government after upper house elections if it still intends to send members of the Self-Defense Forces [SDF] to Cambodia despite the current situation in that country." In this way, the chairman of the main opposition party stressed that he would press the government to scrap plans to send SDF members to Cambodia.

At the news conference, the leader of the main opposition party also said that his party "intends to consult with other political parties about repealing and amending laws." Thus, the chairman suggested that his party would propose the creation of a regular consultative body to discuss the PKO cooperation law, to other political parties.

Regarding Diet reform, Mr. Tanabe proposed that: 1) The rights of parliamentarians to deliberate be secured; 2) the function of the legislature be strengthened; and 3) the proceedings of parliamentary deliberations be made public.

Meaning Behind SDPJ Mass Resignation Viewed

922B0171A Tokyo EKONOMISUTO in Japanese 30 Jun 92 pp 16-17—FOR OFFICIAL USE ONLY

[Article by Hideo Uchiyama, professor at Keio University, in the "In the News" feature: "The Path Toward Approval of the PKO Bill Continues To Be Unusual"]

[Text] Both the Social Democratic Party of Japan [SDPJ] and the United Social Democratic Party presented resignations to House of Representatives Speaker Sakurauchi on 15 June for all affiliated members belonging to the House of Representatives (total of 141 people), with the aim of blocking a vote on the UN Peacekeeping Operations (PKO) Cooperation Bill and causing a dissolution of the House of Representatives and a general election. The submission of simultaneous resignations by all members affiliated with a party or faction is the first time in the history of the constitutional government.

The twist phenomenon between the House of Representatives and House of Councillors which the people chose in the 1989 House of Councillors election, or in other words, the situation of distrust for the government and Liberal Democratic Party [LDP] which centered on the Recruit scandal, did not function concerning this PKO bill. I think of this fact uppermost. That political distrust situation was not swept away by the election afterward. The results of the election have had to grimly remain.

Our political reality which became clear at the time was a situation in which postwar politics with the LDP one-party dominant system revealed "system fatigue" on the surface. We the electorate ordered a self-rehabilitation for the fatigued politics of those bearers of political authority for this reality.

They unanimously pledged "political reform" in public. Nevertheless, from beginning to end they made excuses in a power game rooted in party interests. That only can be considered as having separated us essentially from politics.

The deliberations concerning this PKO bill, or rather the debate surrounding it clarified two matters. One is the point that this bill truly indicated a "total settlement of accounts for postwar politics" in the form advocated by former Prime Minister Nakasone, and another point is that various devices were invoked to conceal that fact.

The "total settlement of accounts" advocates that Japan must become a very normal nation. However, the intimations of foreigners who consider that Japan is unique, especially Americans, are based on lack of clarity and doubts concerning the relationship between this nation's corporate activities, economic policy decisions, and government. It is by no means doubt about the Japanese constitutional system. Leaders in political, financial, and bureaucratic worlds should know that. The theory of Japan's uniqueness has sharply prodded the fact that the speeches and actions of unprincipled utilitarians are not common in international society.

Ever since the oil shock, the leaders have advocated a free society and free economy for Japan with a close-knit but loose system of political, financial and bureaucratic cooperation which they invented themselves. Japan, a nation of close-knit and loose "harmony," while commonly considering itself to be unique, at least domestically, took the pose of seeking "understanding" and "cooperation" from outside. The leaders fully knew that it was only internal. For that very reason, they deliberately stressed good maintenance of the U.S.-Japan relationship particularly for the economic friction with the United States while secretly promoting the encouragement of public opinion that considered the United States as high-handed.

Our uniqueness lies only in the constitutional system. That point has not been asserted at all by the leaders. From the crumbling of the Soviet Union to the Gulf war, I think that the government and LDP have skillfully made proper use of its official stance and true intentions. That notably has been the big campaign that the reason for the existence of the SDPJ has lost its meaning in world history, and it is an abandonment of "uniqueness" in that process.

The crumbling of the military superpower, the Soviet Union, has expanded all at once possibilities that our uniqueness will be become the core of a new world order as a universally held principle. Efforts to eliminate those possibilities, however, have been rampant in the Diet. The Gulf war was a chance that should have been a good opportunity.

Mankind's proposition since the cold war of international contribution and maintenance of world peace has been used only to belittle participation, considering it a just cause which no one can refute without connecting it to the positive and active obligation of the Japanese to participate in the creation of world history. Here is the scenario.

Minimize the international contribution to the maintenance of peace. Squeeze that into indiscriminate allegiance to the United Nations. (That substance strengthens allegiance to the United States.) Furthermore, stipulate that UN peacekeeping operations are the obligation of the Japanese people and justify to the maximum the reason for the existence of the Self-Defense Forces as a peacekeeping force.

Actually, a reverse logic is advanced in this logic structure from above. In other words, foreign pressure is positioned only in the form of giving money and people and that very foreign pressure has destroyed the thinness of our international sensibility and become a spring to recognition of the duty which real internationalists should have. The postwar "total settlement of accounts" lies here, and the slightly warped constitution protectionist theory that there is significance to the Preamble of the Constitution has given vigor to the government and LDP. That is taking a chance in settling it without making political reform a priority issue.

The devices to conceal this true intention variously surfaced in the process of deliberations and debate on the PKO bill. Particularly it was the method of making use of television. The Diet floor and scenes in the House were effective in the sense that they aroused a sense of presence on the site.

It goes without saying that the PKO bill is directed toward Cambodia. The time limit set there had priority over everything. It goes without saying that there was no deep discernment of a fork in the fate of the nation and the people. The public opinion of "more time" was completely ignored, and that very fact fully glossed over the irresponsibility of the government and LDP in the name of love of mankind and pacificism which was fully calculated. I view the involvement of both Komeito and the DSP as "opposition parties" as a manifestation of a predisposition which this "calculation" could not perceive.

House of Councillors Election Is a Do-or-Die Situation

This irresponsibility especially was hidden throughout by concentrating on the one point of reducing the "socialist" era error of the SDPJ (the victory of liberalism by the crumbling of the Soviet Union) into an inflexible ideology and making a laughingstock of it. Typical of that was the ox-walk tactic and the encouragement of public opinion on the submission of resignations.

The former certainly invites stupidity. However, you cannot sneer at it. It is a possible method for minority parties to express their opposition to a bill by their own assertion. Rather it should be said that it is all they have. If we cannot decide our own fate systematically outside of party politics, the ox walk must be accepted as a political style of this nation. Prime Minister Miyazawa called it "strong arm," but we want to bear in mind that is the extent of his liberalism.

The argument has begun to appear concerning announcement of the intention to resign that it betrays the will of the electorate. That also is completely mistaken. What is needed now is for political parties to invest all in an endeavor to nip off the buds of party political negativism themselves. We the people also are facing a do-or-die situation. The House of Councillors election which demonstrates that crisis is coming next month.

Significance of PKO Law Examined

922B0172A Tokyo EKONOMISUTO in Japanese 30 Jun 92 pp 36-37—FOR OFFICIAL USE ONLY

[Article by Keizo Nakamura, MAINICHI SHIMBUN editorial staff: "'Undrawn Sword'—Comment on Passing of PKO Bill"]

[Text] The United Nations Peacekeeping Operations (PKO) Cooperation Law was approved amidst a series of unusual events such as a forced vote, ox-walk tactics, and Diet member resignations.

In the offense and defense that extended nearly two weeks, the Liberal Democratic Party [LDP], Komeito, and Democratic Socialist Party [DSP] strengthened unity more than ever before, creating a deep gulf between them and the Social Democratic Party of Japan [SDPJ]. This composition not only will greatly influence the upcoming House of Councillors election and Diet operation, but also will affect associations in the reorganization of the political world which is being debated in various circles.

Moreover, for the time being, a big topic is the elimination of the sense of distrust between parties. Democracy is a system where matters are decided according to set rules with respect for the ideas and positions of opponents at the same time as squarely asserting one's own opinions. It will probably take considerable time to restore trusting relationships in so far as it follows an exchange of reproaches concerning this premise and system such as "opposition to democracy" and "reckless acts infringing the Constitution."

There has been various commentary concerning this unusual Diet. It has been pointed out that the disorder indicates that Japanese democracy still is immature. There have been cries voiced that a law involving the course of the nation was approved without national consensus. Approval or disapproval of the propriety of the PKO law can be understood, but the negative view concerning the chaotic Diet has been overwhelming.

Plus Side of Unusual Diet

These opinions all are reasonable. However, it is by no means constructive to evaluate just the minus side of the unusual Diet. It was not something to incite chaos, but a shrewd eye to see the plus side properly is sought when you consider the future of the PKO law. The composure to analyze calmly the role played by the opposition and repercussions and to consider a way to make the most of an "unusual Diet" in future foreign affairs ultimately is a path for restoring trusting relationships between political parties and deepening inexhaustible discussion.

The reason why is that fierce confrontation and splits can by no means be said to be contrary to national interest.

The Japanese lack of individuality is often a problem. Even when traveling, their appearance of acting in a group with the same kind of cameras and videos hanging down and led by a tour conductor is pointed out. On the one hand, while their attitude of searching for points of agreement from the very beginning without making any clear assertions at international conferences is assessed as cooperative, it is apt to appear that they don't have clear opinions. As a result, the assessment that the Japanese are people who only have interest in making money cannot be swept away.

Particularly, controlled action taken as a group is seen as a threat. In this tumult, however, the PKO law by no means was decided as the consensus of Japan. It is widely known at home and abroad that there are various opinions in the country. Moreover, defense expenditures have come to rank third in the world, but it also is known that there is considerable resistance in the country to taking the big step of employing the Self-Defense Forces.

Neighboring countries who are concerned about the expansion of a Japanese military presence probably understand that it is different from before the war even though they embrace anxiety about the PKO law. Unanimous agreement by consultation probably would have been a plus for unifying public opinion, but it is necessary to consider that easy approval would appear ominous to foreign countries. A sober eye is probably necessary to value it as a decision by fierce confrontation.

The government should use the split in public opinion in diplomacy a lot.

Foreign Minister Sonoda once interrupted the speech of the other party when an increase in Japan's defense power was sought in talks with a high official of the United States and rejected it, saying, "Opposition at home certainly will appear if such a demand is thrust upon us by the United States. If there is one wrong step, the LDP regime will topple and Japan will be incorporated in the socialist bloc. Entrusting increases in defense power to the independent judgment of Japan is in accord with the national interest of the United States."

Nearly 15 years ago, Japan's incorporation in the socialist bloc would be reckless talk. As an ally, it is probably proper to bend an ear to the demands of the other party and to discuss face to face the level of Japan's defense power. But, at times, Sonoda-type dodging is an excellent diplomatic tactic.

This was not the first time for Foreign Minister Sonoda's line of argument. Even at past working-level conferences, he refused U.S. demands more than once, citing a split in public opinion and anticipated chaos. Such reasoning was valid because both sides had memories of the great tumult with the security treaty in 1960. The 1960 security treaty is apt to be seen as an unlucky event in postwar history, but it can be said to have had its value because it was a great tumult that shook the foundations of the nation.

The "split in public opinion" surrounding PKO probably can be used as a factor for easily refusing dispatch requests in the future. As a matter of fact, the United States, which sought such a dispatch of personnel to the Gulf the year before last, has constantly feigned unconcern about this PKO bill. Of course, the United States probably has less concern for Cambodia compared to the Gulf. At the same time, considering speech and action interfering in domestic politics as a minus, it can be said that a series of opposition movements is rather a plus for the government. That is because Japan will be able to demonstrate independence in employment of the PKO law in the future.

Now that details on the freezing of the peacekeeping force (PKF) and the Diet chaos have become widely known in the world, a dispatch request probably will not be easily issued.

Taking an absolute view of Japan's system, customs, and national situation, and not listening to the criticism of other countries is unacceptable, but, on the other hand, an effort is necessary to have both the good sides and the bad sides of "Japan" known. This unusual Diet will probably be an opportunity to have the real situation of Japan understood. The tenor of argument that "Japan is a country that cannot be understood" is still seen in Europe and the United States, but that can be called an intellectual failure of taking an absolute view of their own thinking.

There are not just minuses for the PKO law. There are strong objections in the SDF also about this law. The government must be circumspect in employment of it in a situation where there is much opposition in the country, moreover, they must again be prepared for tumult dividing public opinion in two in removing the freeze on the PKF. This will be the precept for Japan that aims at breaking away from an economic superpower to become a political superpower.

Foreign Policy of Not Using PKO

At one time, the "comprehensive security theory" was popular. The exchange of gunfire is the worst, most extreme situation for defense. It was the logic that all effort should be given to national preparedness not to be invaded and maintenance of the international environment. Peacekeeping operations are the worst situation for world peace; maintenance of the international environment will be pursued first, so that PKO and PKF will not be necessary.

Japan has become the superpower providing the greatest aid to the world, and its pronouncements have been accepted as such to be important. Since the SDPJ also has no objection to leadership for world peace and contributions for peacekeeping that will not use the SDF, foreign policy where PKO will not be considered necessary should become an excellent guiding principle.

Yamaoka Tesshu, who served as a mediator in the evacuation of Edo [Tokyo] and safety of the Tokugawa family and who protected Edo from the flames of war in the closing days of the Tokugawa shogunate, was known as an expert swordsman, but it is said that he made a lifelong pledge not to draw his sword and always strove for situations where the sword was not considered necessary. Now that we have the sword of the PKO law, we should seek to be a "superpower" to create the very environment where a sword is not used.

NEC Develops Next-Generation Personal Computer

OW1407102592 Tokyo ASAHI SHIMBUN in Japanese 11 Jul 92 Evening Edition p 1—FOR OFFICIAL USE ONLY

[Text] A concerned source disclosed on 11 July that NEC Corp., the largest domestic personal computer manufacturer, will develop and begin selling its next-generation personal computer, which will feature dramatically improved information processing speed and functions, as early as next spring. The new personal computer, a small computer workstation, will use a RISC (reduced instruction set computer) element as its brain—the CPU (central processing unit). The new machine will be capable of displaying detailed graphics, which is a weakness of currently available personal computers, and easily processing highly scientific and technical information. It will be a revolutionary product that will revise in a single stroke the definition used up until now to distinguish between workstations and personal computers. There is a possibility that the new machine will redraw the map in the computer and personal computer world.

The next-generation personal computer will be on display at a "business show" scheduled next May in Tokyo. NEC recently finished building a prototype and is carrying out various tests for its commercial production.

NEC's fundamental development policy is aimed at improving functions of the NEC "98 series"—a very popular product that has a market share of about 60 percent in Japan. First, Intel Corp.'s 32-bit element, which is a 98 series CPU, was replaced in the prototype by another element capable of high-speed data processing. In addition to this, NEC added the RISC element.

Because the new machine is still equipped with an Intel Corp. CPU, users will be able to use some 13,000 available software programs developed for the 98 series. Moreover, by introducing the RISC element, NEC opened the way for users to use software that has been developed for workstations.

Needless to say, the price of a personal computer equipped with two CPU's will be high. Nevertheless, NEC decided to develop the machine because there is a trend in which IBM-compatible machines, which are known for their high-speed data processing capabilities, and Apple Computer's "Macintosh," which is easy to use, are picking up sales momentum and snatching customers from NEC. Some users of the "98," which is capable of detailed graphics and specialized technical data processing, have been complaining that the "98" was not well-designed for software developed in the United States and other countries for top-of-the-line machines.

The new RISC element pulled the trigger for computer "downsizing," which has made rapid progress over the past several years. RISC development realized the commercial production of workstations, which have capabilities equivalent to those of large computers. By using technology developed by Mips Computer Systems of the United States, NEC produces RISC's for workstations. NEC is planning to use RISC's in its next-generation personal computer.

Comments NEC Director Yoshi Takayama (in charge of personal computers), "I cannot give a detailed statement on the next-generation personal computer. Also, I cannot tell you when it will be available on the market. We have to clarify our view of current trends in demand in an effort to know how many people unsatisfied with conventional machines are out there."

Toyota Efforts To Change Image Examined

922A0257A Tokyo SHUKAN DAIYAMONDO in Japanese 2-9 May 92 pp 102-105—FOR OFFICIAL USE ONLY

[Article by reporter Hideki Takabayashi: "How To Cope With the Realistic Gap Between the Written Basic Doctrine"]

[Text] The axis of corporate evaluation is rapidly shifting from the previous emphasis on strength to evaluation of social and ethical character. The mighty Toyota Motor Corp is turning its handle widely to conform with this change in the trend. However, the path to its destination is replete with confusion and difficulties.

Giant Sensitive to Outside Attention

Toyota Motor continues to suffer from anguish because the company has a low image. Its executives complain: "Although our corporate earnings and surveys of our management evaluation constantly reach the top level, our corporate image in the eyes of the companies in general ends in an abrupt change in evaluation." Certainly, in this magazine's corporate image survey also, it ranks second among the managers being evaluated. In the ranking of the companies where college graduates seek employment, it places fourth among science graduates and drops sharply to 55th place among liberal arts graduates. Toyota drafted its "basic doctrine" in January this year. The objective was to cope with the "misunderstanding" among the companies due to its power.

The content is shown in the chart on the right. As is immediately clear, such terms as "open" and "fair" are conspicuous. When such a stipulation as "abstain from gambling" appears in ancient documents, historians assume that gambling flourished during the period. Based on this concept, it is clear how much Toyota worries about being criticized as "not open" or "unfair."

This can also be deduced from the following episode. Item 6 of the doctrine stipulates "efficient management on a world-class level." When the original draft was under review, one executive worried that "if we talk about efficiency, we may be criticized for wringing a dry towel."

In April, a guidebook that includes ways to inculcate the employees with the basic concepts was distributed among the managers including section chiefs and above. Here, the apprehension concerning outside evaluation shows directly in such phrases as "manifest leadership in the industry, and break with the image of a catch-up company" or "how to cope with the reputation as a faceless company."

Toyota is presently worried about its "ill-repute" concerning the other side of its "tradition" that has been the source of its strength. Its cost awareness described as "wringing a dry towel" is the wellspring of its competitiveness. Also, its method of letting second and third-rank producers develop new markets, and then taking over those markets with their scale and merits after they have become successful, was a common-sense strategy among leading corporations.

Today, however, when mere strength no longer suffices as a yardstick for evaluating a company, it is faced with a fear that is pointed out by the company staff in charge of new concepts that "perhaps the success factor of the past will become the next failure factor."

Mikawa Can No Longer Hold Up Alone

One of Toyota's strengths lies in its strong capability to marshal its forces—i.e. a common work approach, a common awareness and a common recognition of its interests. Forming the background of its togetherness is the regional concentration of its plants. All of Toyota's domestic plants and almost all of its related parts manufacturing plants are concentrated in the eastern part of Aichi Prefecture (in Mikawa). It is only about a 30-minute drive on a country road from the parts plants to the Toyota plant. The Toyota production formula, which is criticized as the culprit of traffic jams spreading to other regions and other industries, is successful here because of the geographical environment. Those who live in Toyota City cannot understand why their pride—the company's production formula—is disparaged.

The Toyota worker thinks: "When I am in Toyota City, it seems like a perfect entity." However, such self-complacency is the reason for criticism against the so-called "Mikawa Monroe Doctrine," and the question is asked "whether Toyota is concerned only about itself."

Meanwhile, the framework of the region is disintegrating albeit gradually. With the Tahara plant of 1979 as its last assembly plant, Toyota has been building its plants in regions outside of the Toyota City environs. Due to local production demanded by the United States, it first constructed the NUMMI joint plant with General Motors in 1984, followed by the TMM plant in 1988. In Europe, the plant in Britain will commence operations at the end of this year. Also, with the labor shortage as a factor, an assembly plant is being built in Kyushu as the first domestic site outside of Mikawa.

At the time of the NUMMI project, there was anxiety within the company concerning the "maiden experience" of owning a plant in a distant country. The reason was the concept that, without regional concentration, the root Toyota production formula could not function. However, it became clear to the main office that, by devising a physical distribution formula, it could function in another country, albeit in a mode "similar to the Toyota production formula."

The evaluation within Toyota is that "the decision to advance into Kyushu was possible because of the success with NUMMI."

Toyota admits that, "during our previous stages as a small and medium company, we were known as the maverick of Mikawa, but we are now a major corporation, so we cannot continue in the same vein."

Internal and External Aspects of the Doctrine

Toyota depicts its current doctrine as "the first time we have formulated it from a global viewpoint."

Therefore, it has prepared an English text with the impact overseas in mind from the outset. First, it prepared a draft in the Japanese language. Then, it retained an American consultant to translate the gist in English. At the time, Toyota requested that "it not be translated literally." It asked for an explanation of the background and purpose of the doctrine—a doctrine in English that conveys the content.

For example, Item 1 was simply summarized as: "Be a company of the world." The terms "open" and "fair" in the Japanese text are nowhere seen. The staff that translated it explained: "In the foreign countries, openness and fairness are taken for granted, so we did not include them."

Also, Item 7 concerning "an open trade relationship" is translated as "lasting relationship." In Japan, where a lasting relationship is taken for granted, an open relationship is a task of the future. It is the reverse in foreign countries.

Although the doctrine is common throughout the world, it actually has a double aspect with domestic and foreign differences.

However, it indicates Toyota's new dilemma in that its common corporate awareness is now divided.

The essence of Toyota's power lies in its strong adherence to growth, in addition to its superior position concerning cost and quality. This was repeatedly explained in its past policy. However, the terms "quality" and "price" have disappeared from the current doctrine.

As President Shoichiro Toyoda declared: "Our job is to make low-cost, high-quality products. The company cannot survive by making low-quality, high-cost products," there is no change in the posture of stressing quality and price. A manager at the main office says: "It is a matter of course for those who work for Toyota, and it is unnecessary to put it into words."

However, the fact that common sense is communicated without putting it into words was valid only while doing business within Mikawa.

The future task is how to permeate the "shadow doctrine"—which had been hidden in the background for fear of inviting misunderstanding outside—among the employees overseas and the new employees who are not yet imbued with the Toyota tradition.

How Far Should the Change Go?

If Toyota's determination that it is no longer possible to continue past tradition is embodied in its basic doctrine, the question then arises as to where its previous strength can be positioned.

Toyota explains its doctrine as follows: "We have summarized the items of future importance, while emphasizing our present base."

An executive points out the difficulty of balancing the ideal with the realistic, saying: "We feel it is dangerous to flow with the current of the times. Certainly, if we do not heed the outside voices, we will become a naked king. However, if we strip off our clothes one-by-one as dictated by outsiders without our own principles and rules, we will also become a naked king."

It is not merely an internal difficulty. Recently, Toyota has been advocating coexistence with the foreign countries on the one hand, but displaying strong reaction against the trend extending to the domestic scene. Vis-a-vis the statement by President Yutaka Kume of Nissan Motor Co, who continues to propose an extension of price hikes and model changes in order to correct excessive competition in the auto industry, Toyota knows how to be both tough and soft when it says: "Such statements could violate the antimonopoly act. It is not necessary to adopt a soft attitude toward one's domestic rivals." Toyota is definitely about to change. However, if the concern in emphasizing the external factor is its face, its inner resolve to continue with its strength=real intent appears in and out of sight. Toyota itself is unable to determine how far it will change.

In a sense, Toyota symbolizes Japan's industries. It can be regarded as the Japan style system itself. Its transformation will require much time and cost. That is why it is reasonable to assume that drawing the line will be difficult. The manager of a partsmaker gave his impression of Toyota's recent transformation as follows: "They frequently mention becoming a kinder company. Certainly, the rooms where commercial talks are held have become more attractive. However, the content of the negotiations has not changed."

[Box, p 103]

Toyota's "Fundamentals" Changed Its Outlook From Quality/Price to "Open/Fair"

(Family Precept Era) 1935

Toyota Principles

1. All employees must work with utmost sincerity and help the industry to serve the country.
2. Devote oneself to research and creativity, and always move ahead of the times.
3. Avoid pomposity. Strive for integrity and fortitude.
4. Uphold the spirit of warm friendship and promote a homelike custom.
5.Respect God and lead a life of appreciation and gratitude.

After Sakichi Toyoda died, his precepts were put into written form. They are influenced by the Toyoda "family precepts" and Nichiren Buddhist teachings.

(Production Improvement/Quality Era) 1963

Basic Policy

1. Concentrate the company's total energies at home and abroad. Work for the progress of "Toyota of the world."
2. Always think of "good products and good ideas. Enhance the reputation of the "Toyota quality."
3. Establish a mass production system and realize low prices. By doing so, contribute to Japan's economic growth.

Formulated because of defects in the company policy when it won the TQC Deming Prize.

Affirms the "Toyota quality" as its tradition.

Basic slogan to "mass-produce quality products at low cost."

(Expansion of Scale to a Global Enterprise) 1983

Basic Policy

1. Be deeply aware of the auto industry's mission. Contribute actively to economic and social progress in Japan and the world.
2. Concentrate the company's total energies at home and abroad. Work for solid development of "Toyota of the world."
3. Strive to improve corporate efficiency through originality and effort. Maintain a fresh management stance.
4. Always be thorough in "quality products, quality thinking," and enhance the "Toyota quality."
5. With mutual trust between labor and management, cultivate workers of talent as pillars of the next generation.

Formulated to permeate TQC philosophy among the former sales sector when the manufacturing and sales sectors were merged.

Orientation of growth toward global development is indicated.

(Beginning To Be Sensitive to Outside Opinions) 1989

Basic Policy

1. Treat the customers as Number One. Return to the start of manufacturing and make products of superior "quality," "price" and technology.
2. With mutual trust between labor and management as the base, leap forward as a cheerful company that values creativity.
3. Use the vitality of the entire company at home and abroad, and unite to develop business.
4. Contribute to economic progress and a comfortable society through business activities throughout the world.
5. Constantly heed societal and market changes, and strive for self-enlightenment.

Search for a goal to succeed the expansionist policy of the domestic goal for 2 million cars and the "global 10" (10-percent global share).

Quality and Prices Disappear

(Awareness of Public Opinion at Home and Abroad Vis-a-Vis the Powerful Toyota) 1992

Basic Doctrine

1. With open and fair corporate activity as the base, aim to become a corporate citizen trusted by the international society.
2. With the provision of clean and safe products as our mission, work for a comfortable earth and an affluent society.
3. Strive for R&D on state-of-the-art technology in various fields. Provide attractive products that comply with customer desires throughout the world.
4. Contribute to industry and the economy through business activities rooted in the countries and regions.
5. Create a corporate environment that maximizes the strengths of individual creativity and teamwork.
6. Continue sound growth through efficient management on a global scale.
7. With open dealing (A new keyword appears.) relationships as the base, strive for mutual research and creativity. Realize long-term growth, coexistence and co-prosperity.

Awareness of a sudden change in the corporate evaluation axis from an "excellent company" to a "good company."

Switch in position from company "policy" to "concept" of the individual employee. [end box]

[Box, pp 104-105]

I Am To Blame for the Lack of Trust—The Motto of Selling Quality Products at Low Cost Does Not Change

[Interview with President Shoichiro Toyoda]

[SHUKAN DAIYAMONDO] Item 6 in the basic doctrine refers to "steady growth." In what areas do you foresee future growth?

[Toyoda] It is something we must create in the future. It means to "continue growth." Yes, of course there is no way except to maintain growth.

[SHUKAN DAIYAMONDO] Does future growth mean advancing into new areas?

[Toyoda] There are new areas in the auto sector and the housing sector. In the case of entirely new products, there is no competition with the already existing manufacturers. For example, the Hilux pickup truck, which is jointly produced with Volkswagen, is a new product that did not exist before in Europe. We look for such products and try to grow aggressively.

While some grow, others decline. Therefore, we must replace the old with the new.

[SHUKAN DAIYAMONDO] Did the advance by big luxury cars like the Lexus not penetrate the stamping grounds of the European and American makers and anger them?

[Toyoda] That is why, for example, when the United States used to make only big cars long ago, we did not want to make cars like the Lexus to enter the American market. It would have heated up competition and invited counterreaction. Therefore, we moved into America with compact cars that did not exist there. After the market for compacts was established, the Big Three also began to make compacts. We start out with noncompetitive models as much as possible.

Our policy is to not imitate others as much as possible. Therefore, there are two words concerning "creativity" in our doctrine. Our policy from the outset is: "Do not make similar products," and it is a wise policy.

[SHUKAN DAIYAMONDO] However, is it not Toyota's method to input high-quality, low-cost products into areas pioneered by other companies and to be successful at it?

[Toyoda] If it were someone who is extremely bright and sharp and had money, he would catch up and beat his rival in his own backyard. However, we do not think we are sharp; nor do we think we have money. Our structure is also weak. In order that people like us can survive, we must do what the others are not doing. That is originality. Our basic doctrine since Sakichi Toyoda is: "Devote our minds to research and creativity, and always stay ahead of the times."

[SHUKAN DAIYAMONDO] What do you think about free trade?

[Toyoda] I believe free trade is the best.

[SHUKAN DAIYAMONDO] However, Japan says it will not allow any import of rice.

[Toyoda] Because you were born after the war and have always lived in freedom, perhaps you are not very sensitive about it. However, we were born during the war and experienced freedom after the war. Freedom does not mean being able to do as one pleases. We are not restricted, but we must not inconvenience others. That is freedom. It is the same with free trade.

[SHUKAN DAIYAMONDO] Does the voluntary quota of 1.65 million cars also mean to avoid inconveniencing our trading partner?

[Toyoda] In the first place, we have always said that restrictions are not good, and they are very bad for free trade. We are not the ones who decided on voluntary restrictions, but there is nothing we can do about it.

However, we somehow are still not trusted. Although we say that we will boost local production and cut back our exports, they think we might go all-out with production unless there is a quota.

We wish they would trust us more.

[SHUKAN DAIYAMONDO] Why have you lost their trust?

[Toyoda] Whether it concerns the United States or MITI [Ministry of International Trade & Industry], we will implement what we say we will, as far as possible, in order to build a relationship of trust. Unless we prove that we do not lie, we will not be trusted.

[SHUKAN DAIYAMONDO] Mister Toyoda, how do you evaluate the so-called Morita essay?

[Toyoda] What is written in it is already being practiced by Toyota. Just one point—the statement that pay for the Japanese worker is low—is erroneous. With shorter work hours, 100 hours have already been cut annually, dividend payouts have risen and social contributions are being made. Generally, everything is being done.

[SHUKAN DAIYAMONDO] For example, such terms as "price" and "quality" are excluded from the doctrine text. Is this because of hesitancy about "low-cost, high-quality" production?

[Toyoda] There is no hesitancy. It is our job to make low-cost, high-quality products. A company that makes inferior products at high cost cannot survive.

Of course, as far as image is concerned, there are still some people who feel that the Japanese will probably try to conquer the world even by suffering a temporary loss. To such people, it is probably necessary to take a little softer approach.

In any case, the reason for misunderstanding at home and abraad is simply because of the media. The media probably believes everything they write. [end box]

NSDA Plans Intersatellite Communications System

OW1307080892 Tokyo NIHON KEIZAI SHIMBUN in Japanese 11 Jul 92 Morning Edition p 11—FOR OFFICIAL USE ONLY

[Text] The National Space Development Agency [NSDA] will launch an experimental satellite into orbit in 1997 with the aim of developing intersatellite optical communications technology, which is drawing attention as a future mass-handling international communications system. The Space Development Committee (chaired by Science and Technology Director General Tanikawa) which is now currently examining the launch of the satellite is expected to make a decision in early August. NSDA intends to resolve technical problems, including the technical problem of tracking satellites, in close collaboration with the European Space Agency (ESA) which plans to launch into orbit communications technology satellites.

According to NSDA's plan, the agency intends to launch into orbit a 500-kilogram optical communications satellite at an altitude of approximately 500 kilometers using a small J-1 rocket which the agency is now developing. The satellite will carry a semiconductor laser device emitting and receiving apparatus. The agency will closely cooperate with the General Research Institute under the Ministry of Posts and Telecommunications in developing the optical communications satellite.

Sometime between late 1995 and early 1996, ESA is set to launch into orbit a communications technology satellite, "Artemis," at an altitude of approximately 36,000 kilometers. The experimental satellite to be launched by NSDA will conduct optical communications experiments with Artemis. The experimental satellite, which will remain in orbit for one year, will test its technology by tracking Artemis, which is orbiting at high speed and is emitting light.

Intersatellite communications is a system which directly links itself to communications satellites, other satellites, and space shuttles without passing through ground stations. Hence, intersatellite communications is drawing attention as a future international communications network capable of handling long-distance information in real time.

The agency is now testing the experimental satellite by sending information via radio waves. If the experimental satellite uses lasers, it can send information 10 times faster than when it uses radio waves. Since the antenna and the receiving apparatus to be carried by the experimental satellite are small, the satellite can be made smaller and lighter. However, the satellite is vulnerable to clouds, and this makes it difficult for the satellite to communicate with ground stations.

Thailand

Chamlong Discusses Coming Election, Premiership

OW1407045992 Tokyo ASAHI SHIMBUN in Japanese 11 Jul 92 Morning Edition p 6—FOR OFFICIAL USE ONLY

[Report on an interview with Chamlong, former governor of Bangkok, by ASAHI SHIMBUN reporter Osamu Yamato in Bangkok on 9 July]

[Text] Bangkok, 10 July—Former Bangkok governor Chamlong, who is a democratic leader and led the mass demonstration which confronted the military authorities in Thailand in May, is scheduled to visit Japan on 20 July at the invitation of a nongovernmental Japanese organization. Prior to his visit to Japan, he gave an interview to an ASAHI SHIMBUN reporter on 9 July. With regard to the Thai political situation following the riots in May, Mr. Chamlong said: "Although we are still concerned about the military authorities' actions, their political influence is steadily declining." In this way, he indicated his confidence in promoting democratization. Regarding the general election in September, he said that he will run for the election as head of his party, with the aim of winning the majority of votes. He then stressed his desire to take part in the national administration after the election.

Before the riots in May, Mr. Chamlong staged a hunger strike as head of the Force of Truth Party (Phalang Dharma) in protest against the inauguration of General

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Suchinda as prime minister. His hunger strike then served as the catalyst for a growing movement toward democratization. He wrote down what he was thinking after he was arrested by the military during the riots. His notes were recently published under the title *Joint Struggle*, and have gone through several editions.

He gave this interview at the Phalang Dharma Party's Bangkok office, which is busy preparing for the election. In the interview, Mr. Chamlong said: "Under the Thai king, Thailand is moving toward becoming a democratic state while taking measures to prevent the military's intervention in politics. However, we will respect the military's role (in defending our country) in the framework of democracy."

Regarding the September election, he said that "the election should be conducted without corrupt practices, deception, and blackmailing." He said that, through the election campaign, he will make an all-out effort to get more support for his party than in the previous election, not only in Bangkok—where his party gained an overwhelming majority in the previous election—but also in local areas. He then said that "depending on the outcome of the election or on the party's intentions, I will be ready to accept nomination as prime minister."

In connection with a series of an antimilitary drives, he said that "the movement was not led by my will power alone, but by the people." In this way, he stressed that the struggle was the result of a cooperative effort by civil groups. The riot began with a march toward the prime minister's official residence, following a rally in front of the royal palace on the night of 17 May; the march finally resulted in the dispatch of fire by the military. With regard to this, Mr. Chamlong explained that it was an unexpected development by saying: "We staged the demonstration to directly call for (then) Prime Minister Suchinda's resignation. It was not the first time that we had taken that kind of action."

Regarding relations with Japan, he said: "I am always concerned about the issue of environmental pollution caused by Japanese-affiliated factories. At the same time, however, I deeply appreciate Japan's serviceable aid, including construction of a bridge aimed at easing traffic jams."

He will visit Japan at the invitation of a farmer's group engaged in organic farming in Okayama Prefecture.

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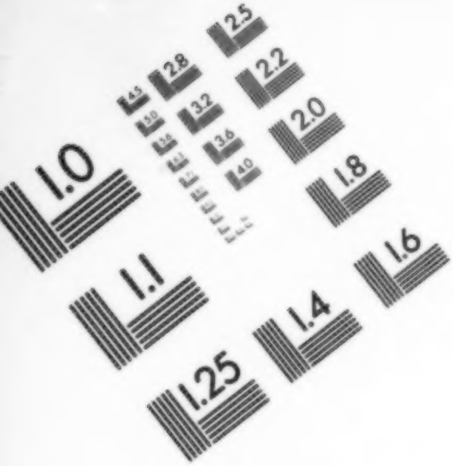
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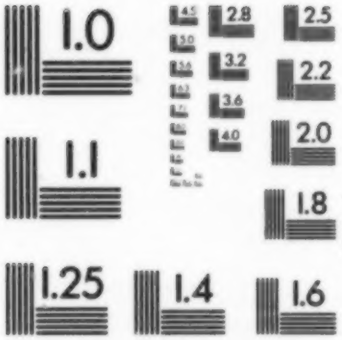
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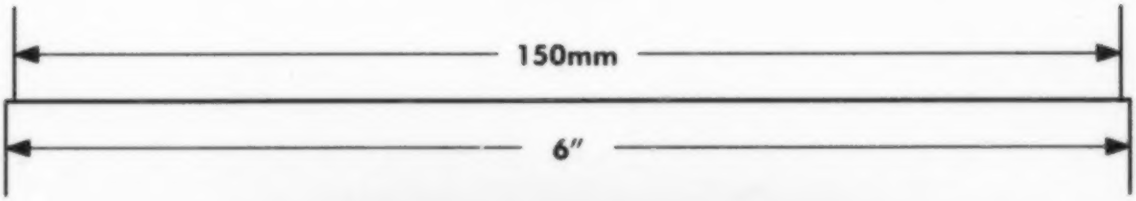

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